HUNT NEIL D
Form 4
August 02, 2012

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

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(Print or Type Responses)

1. Name and Address of Reporting Person *
HUNT NEIL D

(Last) (First) (Middle)

100 WINCHESTER CIRCLE

(Street)

LOS GATOS, CA 95032

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
NETFLIX INC [NFLX]

3. Date of Earliest Transaction (Month/Day/Year)
08/01/2012

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Chief Product Officer

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of Derivative Securities	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amou Underlying Secur (Instr. 3 and 4)

(Instr. 3)	Price of Derivative Security		(Month/Day/Year)	(Instr. 8)		Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)					
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Am or Nu of S
Non-Qualified Stock Option (right to buy)	$ 54.5	08/01/2012		A		11,468		08/01/2012	08/01/2022	Common Stock	11

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
HUNT NEIL D 100 WINCHESTER CIRCLE LOS GATOS, CA 95032			Chief Product Officer	

Signatures

By: David Hyman, Authorized Signatory For: Neil D. Hunt	08/02/2012
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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RALPH LAUREN CORPORATION
INDEX

		Page
PART I. FINANCIAL INFORMATION (Unaudited)		
Item 1.	Financial Statements:	
	Consolidated Balance Sheets	2
	Consolidated Statements of Operations	3
	Consolidated Statements of Comprehensive Income	4
	Consolidated Statements of Cash Flows	5
	Notes to Consolidated Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	37
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	55
Item 4.	Controls and Procedures	56
PART II. OTHER INFORMATION		
Item 1.	Legal Proceedings	56
Item 1A.	Risk Factors	56
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	56
Item 6.	Exhibits	57
Signatures		58

EX-10.1	
EX-12.1	
EX-31.1	
EX-31.2	
EX-32.1	
EX-32.2	
EX-101	INSTANCE DOCUMENT
EX-101	SCHEMA DOCUMENT
EX-101	CALCULATION LINKBASE DOCUMENT
EX-101	LABELS LINKBASE DOCUMENT
EX-101	PRESENTATION LINKBASE DOCUMENT
EX-101	DEFINITION LINKBASE DOCUMENT

RALPH LAUREN CORPORATION
CONSOLIDATED BALANCE SHEETS

	June 30, 2018 (millions) (unaudited)	March 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$532.3	$1,304.6
Short-term investments	1,487.7	699.4
Accounts receivable, net of allowances of $185.9 million and $222.2 million	260.0	421.4
Inventories	890.0	761.3
Income tax receivable	37.3	38.0
Prepaid expenses and other current assets	342.8	323.7
Total current assets	3,550.1	3,548.4
Property and equipment, net	1,141.7	1,186.3
Deferred tax assets	70.7	86.6
Goodwill	928.7	950.5
Intangible assets, net	181.4	188.0
Other non-current assets	162.7	183.5
Total assets	$6,035.3	$6,143.3
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt	$—	$10.1
Current portion of long-term debt	299.0	298.1
Accounts payable	202.7	165.6
Income tax payable	45.4	30.0
Accrued expenses and other current liabilities	1,016.6	1,083.4
Total current liabilities	1,563.7	1,587.2
Long-term debt	288.0	288.0
Income tax payable	124.8	124.8
Non-current liability for unrecognized tax benefits	77.8	79.2
Other non-current liabilities	560.0	606.7
Commitments and contingencies (Note 13)		
Total liabilities	2,614.3	2,685.9
Equity:		
Class A common stock, par value $.01 per share; 102.8 million and 102.0 million shares issued; 55.2 million and 55.4 million shares outstanding	1.0	1.0
Class B common stock, par value $.01 per share; 25.9 million shares issued and outstanding	0.3	0.3
Additional paid-in-capital	2,426.7	2,383.4
Retained earnings	5,805.4	5,752.2
Treasury stock, Class A, at cost; 47.6 million and 46.6 million shares	(4,711.0)	(4,581.0)
Accumulated other comprehensive loss	(101.4)	(98.5)
Total equity	3,421.0	3,457.4
Total liabilities and equity	$6,035.3	$6,143.3

See accompanying notes.

2

RALPH LAUREN CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended	
	June 30, 2018	July 1, 2017
	(millions, except per share data) (unaudited)	
Net revenues	$1,390.6	$1,347.1
Cost of goods sold	(494.9)	(495.9)
Gross profit	895.7	851.2
Selling, general, and administrative expenses	(741.9)	(714.4)
Impairment of assets	(1.3)	(9.7)
Restructuring and other charges	(22.4)	(36.8)
Total other operating expenses, net	(765.6)	(760.9)
Operating income	130.1	90.3
Interest expense	(4.4)	(5.0)
Interest income	9.2	2.0
Other expense, net	(2.0)	(0.5)
Income before income taxes	132.9	86.8
Income tax provision	(23.9)	(27.3)
Net income	$109.0	$59.5
Net income per common share:		
Basic	$1.33	$0.73
Diluted	$1.31	$0.72
Weighted average common shares outstanding:		
Basic	81.9	81.6
Diluted	83.3	82.5
Dividends declared per share	$0.625	$0.50

See accompanying notes.

3

RALPH LAUREN CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended	
	June 30, 2018	July 1, 2017
	(millions) (unaudited)	
Net income	$109.0	$59.5
Other comprehensive income (loss), net of tax:		
Foreign currency translation gains (losses)	(30.7)	56.6
Net gains (losses) on cash flow hedges	27.7	(22.0)
Net gains (losses) on defined benefit plans	0.1	(0.3)
Other comprehensive income (loss), net of tax	(2.9)	34.3
Total comprehensive income	$106.1	$93.8

See accompanying notes.

4

RALPH LAUREN CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended	
	June 30, 2018	July 1, 2017
	(millions) (unaudited)	
Cash flows from operating activities:		
Net income	$109.0	$59.5
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	70.3	72.9
Deferred income tax expense (benefit)	7.3	(14.7)
Non-cash stock-based compensation expense	21.5	21.6
Non-cash impairment of assets	1.3	9.7
Non-cash restructuring-related inventory charges	—	0.7
Other non-cash charges	5.8	2.0
Changes in operating assets and liabilities:		
Accounts receivable	153.8	174.0
Inventories	(147.1)	(55.4)
Prepaid expenses and other current assets	(35.9)	(4.6)
Accounts payable and accrued liabilities	(0.1)	42.4
Income tax receivables and payables	19.4	8.7
Deferred income	(4.8)	0.6
Other balance sheet changes	30.1	16.8
Net cash provided by operating activities	230.6	334.2
Cash flows from investing activities:		
Capital expenditures	(42.3)	(41.9)
Purchases of investments	(1,250.1)	(270.4)
Proceeds from sales and maturities of investments	469.8	187.4
Acquisitions and ventures	(4.5)	(3.6)
Net cash used in investing activities	(827.1)	(128.5)
Cash flows from financing activities:		
Repayments of short-term debt	(9.9)	—
Payments of capital lease obligations	(5.7)	(6.2)
Payments of dividends	(40.6)	(40.5)
Repurchases of common stock, including shares surrendered for tax withholdings	(130.0)	(14.4)
Proceeds from exercise of stock options	21.8	0.1
Net cash used in financing activities	(164.4)	(61.0)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(18.8)	19.9
Net increase (decrease) in cash, cash equivalents, and restricted cash	(779.7)	164.6
Cash, cash equivalents, and restricted cash at beginning of period	1,355.5	711.8
Cash, cash equivalents, and restricted cash at end of period	$575.8	$876.4

See accompanying notes.

5

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In millions, except per share data and where otherwise indicated)
(Unaudited)

1. Description of Business

Ralph Lauren Corporation ("RLC") is a global leader in the design, marketing, and distribution of premium lifestyle products, including apparel, accessories, home furnishings, and other licensed product categories. RLC's long-standing reputation and distinctive image have been developed across an expanding number of products, brands, sales channels, and international markets. RLC's brand names include Ralph Lauren, Ralph Lauren Collection, Ralph Lauren Purple Label, Polo Ralph Lauren, Double RL, Lauren Ralph Lauren, Polo Ralph Lauren Children, Chaps, and Club Monaco, among others. RLC and its subsidiaries are collectively referred to herein as the "Company," "we," "us," "our," and "ourselves," unless the context indicates otherwise.

The Company diversifies its business by geography (North America, Europe, and Asia, among other regions) and channel of distribution (wholesale, retail, and licensing). This allows the Company to maintain a dynamic balance as its operating results do not depend solely on the performance of any single geographic area or channel of distribution. The Company's wholesale sales are made principally to major department stores and specialty stores around the world, as well as to certain unrelated third party-owned stores to which the Company has licensed the right to operate in defined geographic territories using its trademarks. The Company also sells directly to consumers through its integrated retail channel, which includes its retail stores, concession-based shop-within-shops, and digital commerce operations around the world. In addition, the Company licenses to unrelated third parties for specified periods the right to access its various trademarks in connection with the licensees' manufacture and sale of designated products, such as certain apparel, eyewear, fragrances, and home furnishings.

The Company organizes its business into the following three reportable segments: North America, Europe, and Asia. In addition to these reportable segments, the Company also has other non-reportable segments. See Note 17 for further discussion of the Company's segment reporting structure.

2. Basis of Presentation

Interim Financial Statements

These interim consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC") and are unaudited. In the opinion of management, these consolidated financial statements contain all normal and recurring adjustments necessary to present fairly the consolidated financial position, income, comprehensive income, and cash flows of the Company for the interim periods presented. In addition, certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the U.S. ("U.S. GAAP") and the notes thereto have been condensed or omitted from this report as is permitted by the SEC's rules and regulations. However, the Company believes that the disclosures provided herein are adequate to prevent the information presented from being misleading. This report should be read in conjunction with the Company's Annual Report on Form 10-K filed with the SEC for the fiscal year ended March 31, 2018 (the "Fiscal 2018 10-K").

Basis of Consolidation

These unaudited interim consolidated financial statements present the consolidated financial position, income, comprehensive income, and cash flows of the Company, including all entities in which the Company has a controlling financial interest and is determined to be the primary beneficiary. All significant intercompany balances and transactions have been eliminated in consolidation.

Fiscal Periods

The Company utilizes a 52-53 week fiscal year ending on the Saturday closest to March 31. As such, fiscal year 2019 will end on March 30, 2019 and will be a 52-week period ("Fiscal 2019"). Fiscal year 2018 ended on March 31, 2018 and was also a 52-week period ("Fiscal 2018"). The first quarter of Fiscal 2019 ended on June 30, 2018 and was a 13-week period. The first quarter of Fiscal 2018 ended on July 1, 2017 and was also a 13-week period.

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. Actual results could differ materially from those estimates.

Significant estimates inherent in the preparation of the consolidated financial statements include reserves for bad debt, customer returns, discounts, end-of-season markdowns, operational chargebacks, and certain cooperative advertising allowances; the realizability of inventory; reserves for litigation and other contingencies; useful lives and impairments of long-lived tangible and intangible assets; fair value measurements; accounting for income taxes and related uncertain tax positions; valuation of stock-based compensation awards and related estimated forfeiture rates; reserves for restructuring activity; and accounting for business combinations, among others.

Reclassifications

Certain reclassifications have been made to the prior period's financial information in order to conform to the current period's presentation.

Seasonality of Business

The Company's business is typically affected by seasonal trends, with higher levels of wholesale sales in its second and fourth fiscal quarters and higher retail sales in its second and third fiscal quarters. These trends result primarily from the timing of seasonal wholesale shipments and key vacation travel, back-to-school, and holiday shopping periods impacting our retail business. As a result of changes in our business, consumer spending patterns, and the macroeconomic environment, historical quarterly operating trends and working capital requirements may not be indicative of our future performance. In addition, fluctuations in sales, operating income, and cash flows in any fiscal quarter may be affected by other events affecting retail sales, such as changes in weather patterns. Accordingly, the Company's operating results and cash flows for the three-month period ended June 30, 2018 are not necessarily indicative of the operating results and cash flows that may be expected for the full Fiscal 2019.

3. Summary of Significant Accounting Policies

Revenue Recognition

The Company recognizes revenue across all segments of the business when it satisfies its performance obligations by transferring control of promised products or services to its customers, which occurs either at a point in time or over time, depending on when the customer obtains the ability to direct the use of and obtain substantially all of the remaining benefits from the products or services. The amount of revenue recognized considers terms of sale that create variability in the amount of consideration that the Company ultimately expects to be entitled to in exchange for the products or services, and is subject to an overall constraint that a significant revenue reversal will not occur in future periods. Sales and other related taxes collected from customers and remitted to government authorities are excluded from revenue.

Revenue within the Company's wholesale business is generally recognized upon shipment of products, at which point title passes and risk of loss is transferred to the customer. In certain arrangements where the Company retains the risk of loss during shipment, revenue is recognized upon receipt of products by the customer. Wholesale revenue is recorded net of estimates of returns, discounts, end-of-season markdowns, operational chargebacks, and certain cooperative advertising allowances. Returns and allowances require pre-approval from management and discounts are based on trade terms. Estimates for end-of-season markdown reserves are based on historical trends, actual and forecasted seasonal results, an evaluation of current economic and market conditions, retailer performance, and, in certain cases, contractual terms. Estimates for operational chargebacks are based on actual customer notifications of order fulfillment discrepancies and historical trends. The Company reviews and refines these estimates on at least a quarterly basis. The Company's historical estimates of these amounts have not differed materially from actual results.

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Revenue within the Company's retail business is recognized when the customer takes physical possession of the products, which occurs either at the point of sale for merchandise purchased at the Company's retail stores and concession-based shop-within-shops, or upon receipt of shipment for merchandise ordered through direct-to-consumer digital commerce sites. Such revenues are recorded net of estimated returns based on historical trends. Payment is due at the point of sale.

Gift cards issued to customers by the Company are recorded as a liability until they are redeemed, at which point revenue is recognized. The Company also estimates and recognizes revenue for gift card balances not expected to ever be redeemed (referred to as "breakage") to the extent that it does not have a legal obligation to remit the value of such unredeemed gift cards to the relevant jurisdiction as unclaimed or abandoned property. Such estimates are based upon historical redemption trends, with breakage income recognized in proportion to the pattern of actual customer redemptions.

Revenue from the Company's licensing arrangements is recognized over time during the period that licensees are provided access to the Company's trademarks (i.e., symbolic intellectual property) and benefit from such access through their sales of licensed products. These arrangements require licensees to pay a sales-based royalty, which for certain arrangements may be subject to a contractually-guaranteed minimum royalty amount. Payments are generally due quarterly and, depending on time of receipt, may be recorded as a liability until recognized as revenue. The Company recognizes revenue for its sales-based royalty arrangements (including those for which the royalty exceeds any contractually-guaranteed minimum royalty amount) as licensed products are sold by the licensee. If a sales-based royalty is not ultimately expected to exceed a contractually-guaranteed minimum royalty amount, the minimum is recognized as revenue ratably over the contractual period. This sales-based output measure of progress and pattern of recognition best represents the value transferred to the licensee over the term of the arrangement, as well as the consideration that the Company is entitled to in exchange for providing access to its trademarks. As of June 30, 2018, contractually-guaranteed minimum royalty amounts expected to be recognized as revenue during future periods were as follows:

	Contractually-Guaranteed Minimum Royalties
	(millions)
Remainder of Fiscal 2019	$ 87.6
Fiscal 2020	81.9
Fiscal 2021	74.1
Fiscal 2022 and thereafter	53.0
Total	$ 296.6

See Note 4 for discussion of the Company's adoption of the new revenue recognition accounting standard as of the beginning of the first quarter of Fiscal 2019 and the resulting impact to its consolidated financial statements.

Disaggregated Net Revenues

The following table disaggregates the Company's net revenues into categories that depict how the nature, amount, timing, and uncertainty of revenues and cash flows are affected by economic factors for the periods presented:

	Three Months Ended									
	June 30, 2018					July 1, 2017				
	North America	Europe	Asia	Other	Total	North America	Europe	Asia	Other	Total
	(millions)									
Sales Channel[a]:										
Wholesale	$310.1	$138.0	$12.6	$5.5	$466.2	$313.3	$115.6	$7.9	$6.0	$442.8
Retail	387.5	212.6	235.4	49.9	885.4	396.4	207.9	201.2	57.0	862.5
Licensing	—	—	—	39.0	39.0	—	—	—	41.8	41.8
Total	$697.6	$350.6	$248.0	$94.4	$1,390.6	$709.7	$323.5	$209.1	$104.8	$1,347.1

(a) Net revenues from the Company's wholesale and retail businesses are recognized at a point in time. Net revenues from the Company's licensing business are recognized over time.

8

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Deferred Income
Deferred income represents cash payments received in advance of the Company's transfer of control of products or services to its customers and is generally comprised of unredeemed gift cards, net of breakage, and advance royalty payments from licensees. The Company's deferred income balances were $26.7 million and $31.7 million as of June 30, 2018 and March 31, 2018, respectively, and were primarily recorded within accrued expenses and other current liabilities within the consolidated balance sheets. During the three months ended June 30, 2018, the Company recognized $13.3 million of net revenues from amounts recorded as deferred income as of March 31, 2018. The change in deferred income during the three months ended June 30, 2018 also reflected a reduction of $6.1 million related to the Company's initial adoption of ASU 2014-09 (see Note 4). Substantially all of the deferred income balance as of June 30, 2018 is expected to be recognized as revenue within the next twelve months.
Shipping and Handling Costs
The costs associated with shipping goods to customers are accounted for as fulfillment activities and reflected as a component of selling, general, and administrative ("SG&A") expenses in the consolidated statements of operations. The costs of preparing merchandise for sale, such as picking, packing, warehousing, and order charges ("handling costs") are also included in SG&A expenses. Shipping and handling costs billed to customers are included in revenue.
A summary of shipping and handling costs is as follows:

	Three Months Ended	
	June 30, 2018	July 1, 2017
	(millions)	
Shipping costs	$8.7	$ 7.3
Handling costs	35.7	37.2

Net Income per Common Share
Basic net income per common share is computed by dividing net income attributable to common shares by the weighted-average number of common shares outstanding during the period. Weighted-average common shares include shares of the Company's Class A and Class B common stock. Diluted net income per common share adjusts basic net income per common share for the dilutive effects of outstanding stock options, restricted stock units ("RSUs"), and any other potentially dilutive instruments, only in the periods in which such effects are dilutive.
The weighted-average number of common shares outstanding used to calculate basic net income per common share is reconciled to shares used to calculate diluted net income per common share as follows:

	Three Months Ended	
	June 30, 2018	July 1, 2017
	(millions)	
Basic shares	81.9	81.6
Dilutive effect of stock options and RSUs	1.4	0.9
Diluted shares	83.3	82.5

All earnings per share amounts have been calculated using unrounded numbers. Options to purchase shares of the Company's Class A common stock at an exercise price greater than the average market price of the common stock during the reporting period are anti-dilutive and therefore not included in the computation of diluted net income per common share. In addition, the Company has outstanding performance-based RSUs, which are included in the computation of diluted shares only to the extent that the underlying performance conditions (and applicable market condition modifiers, if any) (i) have been satisfied as of the end of the reporting period or (ii) would be considered

satisfied if the end of the reporting period were the end of the related contingency period and the result would be dilutive. As of June 30, 2018 and July 1, 2017, there were 1.6 million and 2.6 million, respectively, of additional shares issuable upon exercise of anti-dilutive options and contingent vesting of performance-based RSUs that were excluded from the diluted shares calculations.

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Accounts Receivable

In the normal course of business, the Company extends credit to wholesale customers that satisfy defined credit criteria. Payment is generally due within 30 to 120 days and does not include a significant financing component. Accounts receivable is recorded at carrying value, which approximates fair value, and is presented in the Company's consolidated balance sheets net of certain reserves and allowances. These reserves and allowances consist of (i) reserves for returns, discounts, end-of-season markdowns, operational chargebacks, and certain cooperative advertising allowances (see the "Revenue Recognition" section above for further discussion of related accounting policies) and (ii) allowances for doubtful accounts.

A rollforward of the activity in the Company's reserves for returns, discounts, end-of-season markdowns, operational chargebacks, and certain cooperative advertising allowances is presented below:

	Three Months Ended	
	June 30, 2018	July 1, 2017
	(millions)	
Beginning reserve balance	$202.5	$202.8
Amount charged against revenue to increase reserve	99.7	117.7
Amount credited against customer accounts to decrease reserve	(130.1)	(126.0)
Foreign currency translation	(4.9)	5.1
Ending reserve balance	$167.2	$199.6

An allowance for doubtful accounts is determined through an analysis of accounts receivable aging, assessments of collectability based on an evaluation of historical and anticipated trends, the financial condition of the Company's customers, and an evaluation of the impact of economic conditions, among other factors.

A rollforward of the activity in the Company's allowance for doubtful accounts is presented below:

	Three Months Ended	
	June 30, 2018	July 1, 2017
	(millions)	
Beginning reserve balance	$19.7	$11.6
Amount recorded to expense to increase reserve[a]	—	2.5
Amount written-off against customer accounts to decrease reserve	(0.4)	(0.7)
Foreign currency translation	(0.6)	0.5
Ending reserve balance	$18.7	$13.9

(a) Amounts recorded to bad debt expense are included within SG&A expenses in the consolidated statements of operations.

Concentration of Credit Risk

The Company sells its wholesale merchandise primarily to major department and specialty stores around the world, and extends credit based on an evaluation of each customer's financial capacity and condition, usually without requiring collateral. In the Company's wholesale business, concentration of credit risk is relatively limited due to the large number of customers and their dispersion across many geographic areas. However, the Company has three key wholesale customers that generate significant sales volume. During Fiscal 2018, the Company's sales to its largest wholesale customer, Macy's, Inc. ("Macy's"), accounted for approximately 8% of total net revenues, and the Company's sales to its three largest wholesale customers, including Macy's, accounted for approximately 19% of total net revenues. Substantially all of the Company's sales to its three largest wholesale customers related to its North America segment. As of June 30, 2018, these three key wholesale customers constituted approximately 27% of total

gross accounts receivable.

10

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Inventories

The Company holds inventory that is sold through wholesale distribution channels to major department stores and specialty retail stores. The Company also holds retail inventory that is sold in its own stores and digital commerce sites directly to consumers. Substantially all of the Company's inventories are comprised of finished goods, which are stated at the lower of cost or estimated realizable value, with cost determined on a weighted-average cost basis. Inventory held by the Company totaled $890.0 million, $761.3 million, and $859.9 million as of June 30, 2018, March 31, 2018, and July 1, 2017, respectively.

Derivative Financial Instruments

The Company records all derivative financial instruments on its consolidated balance sheets at fair value. Changes in the fair value of derivative instruments that qualify for hedge accounting are either (i) offset against the changes in fair value of the related hedged assets, liabilities, or firm commitments through earnings or (ii) recognized in equity as a component of accumulated other comprehensive income (loss) ("AOCI") until the hedged item is recognized in earnings, depending on whether the derivative is being used to hedge against changes in fair value or cash flows and net investments, respectively.

Each derivative instrument that qualifies for hedge accounting is expected to be highly effective at reducing the risk associated with the exposure being hedged. For each derivative instrument that is designated as a hedge, the Company formally documents the related risk management objective and strategy, including identification of the hedging instrument, the hedged item, and the risk exposure, as well as how hedge effectiveness will be assessed prospectively and retrospectively over the instrument's term. To assess hedge effectiveness, the Company generally uses regression analysis, a statistical method, to compare the change in the fair value of the derivative instrument to the change in fair value or cash flows of the related hedged item. The extent to which a hedging instrument has been and is expected to remain highly effective in achieving offsetting changes in fair value or cash flows is assessed and documented by the Company on at least a quarterly basis.

As a result of its use of derivative instruments, the Company is exposed to the risk that counterparties to such contracts will fail to meet their contractual obligations. To mitigate this counterparty credit risk, the Company has a policy of only entering into contracts with carefully selected financial institutions based upon an evaluation of their credit ratings and certain other factors, adhering to established limits for credit exposure. The Company's established policies and procedures for mitigating credit risk from derivative transactions include ongoing review and assessment of its counterparties' creditworthiness. The Company also enters into master netting arrangements with counterparties, when possible, to mitigate credit risk associated with its derivative instruments. In the event of default or termination (as such terms are defined within the respective master netting arrangement), these arrangements allow the Company to net-settle amounts payable and receivable related to multiple derivative transactions with the same counterparty. The master netting arrangements specify a number of events of default and termination, including, among others, the failure to make timely payments.

The fair values of the Company's derivative instruments are recorded on its consolidated balance sheets on a gross basis. For cash flow reporting purposes, proceeds received or amounts paid upon the settlement of a derivative instrument are classified in the same manner as the related item being hedged, primarily within cash flows from operating activities.

Cash Flow Hedges

The Company uses forward foreign currency exchange contracts to reduce its risk related to exchange rate fluctuations on inventory transactions made in an entity's non-functional currency, intercompany royalty payments made by certain of its international operations, and the settlement of foreign currency-denominated balances. To the extent forward foreign currency exchange contracts are designated as qualifying cash flow hedges, the related gains or losses are initially deferred in equity as a component of AOCI and are subsequently recognized in the consolidated statements of operations as follows:

- Forecasted Inventory Transactions — recognized as part of the cost of the inventory being hedged within cost of goods sold when the related inventory is sold to a third party.

- Intercompany Royalties/Settlement of Foreign Currency Balances — recognized within other expense, net during the period that the hedged balance is remeasured through earnings, generally through its settlement when the related payment occurs.

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

If it is determined that a derivative instrument has not been highly effective, and will continue not to be highly effective in hedging the designated exposure, hedge accounting is discontinued and further gains (losses) are immediately recognized in earnings within other expense, net. Upon discontinuance of hedge accounting, the cumulative change in fair value of the derivative instrument previously recorded in AOCI is recognized in earnings when the related hedged item affects earnings, consistent with the originally-documented hedging strategy, unless the forecasted transaction is no longer probable of occurring, in which case the accumulated amount is immediately recognized in earnings within other expense, net.

Hedge of a Net Investment in a Foreign Operation

The Company periodically uses cross-currency swap contracts and forward foreign currency exchange contracts to reduce risk associated with exchange rate fluctuations on certain of its net investments in foreign subsidiaries. Changes in the fair values of such derivative instruments that are designated as qualifying hedges of net investments in foreign operations are recorded in equity as a component of AOCI in the same manner as foreign currency translation adjustments. In assessing the effectiveness of such hedges, the Company uses a method based on changes in spot rates to measure the impact of foreign currency exchange rate fluctuations on both its foreign subsidiary net investment and the related derivative hedging instrument. Under this method, changes in the fair value of the hedging instrument other than those due to changes in the spot rate are initially recorded in AOCI as a translation adjustment, and are amortized into earnings as interest expense using a systematic and rational method over the instrument's term. Changes in fair value associated with the effective portion (i.e., those due to changes in the spot rate) are recorded in AOCI as a translation adjustment and are released and recognized in earnings only upon the sale or liquidation of the hedged net investment.

Fair Value Hedges

Changes in the fair value of a derivative instrument that is designated as a fair value hedge, along with offsetting changes in the fair value of the related hedged item attributable to the hedged risk, are recorded in earnings. To the extent that the change in the fair value of the hedged item does not fully offset the change in the fair value of the hedging instrument, the resulting net impact is reflected in earnings within the income statement line item associated with the hedged item.

Undesignated Hedges

All of the Company's undesignated hedges are entered into to hedge specific economic risks, particularly foreign currency exchange rate risk related to foreign currency-denominated balances. Changes in the fair value of undesignated derivative instruments are immediately recognized in earnings within other expense, net.

See Note 12 for further discussion of the Company's derivative financial instruments.

Refer to Note 3 of the Fiscal 2018 10-K for a summary of all of the Company's significant accounting policies.

4. Recently Issued Accounting Standards

Targeted Improvements to Accounting for Hedging Activities

In August 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-12, "Targeted Improvements to Accounting for Hedging Activities" ("ASU 2017-12"). ASU 2017-12 amends existing hedge accounting guidance by better aligning an entity's financial reporting with its risk management activities and by simplifying its application. Among its provisions, ASU 2017-12 eliminates the requirement to separately measure and report ineffectiveness for instruments that qualify for hedge accounting, and generally requires that the entire change in fair value of such instruments ultimately be presented in the same income statement line as the respective hedged item. Additionally, the updated guidance reduces the overall complexity of the hedge accounting model, including easing documentation and effectiveness assessment requirements and modifying the treatment of components excluded from the assessment of hedge effectiveness. The new guidance also broadens the scope of risks eligible to qualify for hedge accounting and enhances the understandability of hedge results through amended disclosure requirements. ASU 2017-12 is to be applied using a modified retrospective transition approach, except for the amended presentation and disclosure requirements, which are to be applied prospectively.

12

Explanation of Responses:

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company early-adopted ASU 2017-12 as of the beginning of the first quarter of Fiscal 2019, which resulted in a cumulative adjustment of $0.7 million, net of tax, to increase its opening retained earnings balance. Overall, the adoption of ASU 2017-12 did not have a material impact on the Company's consolidated financial statements.

Intra-Entity Transfers of Assets Other Than Inventory

In October 2016, the FASB issued ASU No. 2016-16, "Intra-Entity Transfers of Assets Other Than Inventory" ("ASU 2016-16"). ASU 2016-16 requires recognition of income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs, rather than when the asset has been sold to a third party. The Company adopted ASU 2016-16 as of the beginning of the first quarter of Fiscal 2019 using the modified retrospective method, which resulted in a cumulative adjustment of $0.6 million to reduce its opening retained earnings balance. Overall, the adoption of ASU 2016-16 did not have a material impact on the Company's consolidated financial statements.

Leases

In February 2016, the FASB issued ASU No. 2016-02, "Leases" ("ASU 2016-02"). ASU 2016-02 requires that a lessee's rights and fixed payment obligations under most leases be recognized as right-of-use assets and lease liabilities on the consolidated balance sheet. ASU 2016-02 retains a dual model for classifying leases as either financing or operating, which governs the pattern of expense recognition to be reflected in the consolidated statement of operations. Variable lease payments based on performance, such as percentage-of-sales-based payments, will not be included in the measurement of right-of-use assets and lease liabilities. Rather, consistent with current practice, such amounts will be recognized as an expense in the period incurred. ASU 2016-02 is effective for the Company beginning in Fiscal 2020, with early adoption permitted, and is to be adopted using a modified retrospective transition approach, which provides an entity the option to apply the guidance either at the beginning of the earliest comparative period presented, or at the beginning of the period in which it is adopted.

The Company is currently in the process of evaluating the impact that ASU 2016-02 will have on its consolidated financial statements and related disclosures. The Company's assessment efforts to date have included reviewing the standard's provisions and gathering information to evaluate the landscape of its real estate, personal property, and other arrangements that may meet the definition of a lease. Based on these efforts, the Company currently anticipates that the adoption of ASU 2016-02 will result in a significant increase to its long-term assets and liabilities as, at a minimum, most of its current operating lease commitments will be subject to balance sheet recognition. The standard is also expected to result in enhanced quantitative and qualitative lease-related disclosures. Recognition of lease expense in the consolidated statement of operations is not anticipated to significantly change.

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"). ASU 2014-09 provides a single, comprehensive accounting model for revenues arising from contracts with customers that supersedes most previously existing revenue recognition guidance, including industry-specific guidance. Under this model, revenue, representing the amount that an entity expects to be entitled to in exchange for providing promised goods or services (i.e., performance obligations), is recognized upon control of promised goods or services transferring to a customer. ASU 2014-09 also requires enhanced qualitative and quantitative revenue-related disclosures. After its original issuance, the FASB issued several additional related ASUs to address implementation concerns and further amend and clarify certain guidance within ASU 2014-09.

The Company adopted ASU 2014-09 as of the beginning of the first quarter of Fiscal 2019 using the modified retrospective method and applied the standard to all contracts as of the adoption date. The adoption of ASU 2014-09 did not have a material impact on the Company's consolidated financial statements, as the performance obligations underlying its core revenue streams (i.e., its retail and wholesale businesses) and the timing of recognition thereof, remain substantially unchanged. Revenues for these businesses are generated through the sale of finished products, and continue to be recognized at the point in time when merchandise is transferred to the customer and in an amount that considers the impacts of estimated returns, end-of-season markdowns, and other allowances that are variable in nature. For its licensing business, the Company continues to recognize revenue, including any contractually-guaranteed minimum royalty amounts, over time consistent with historical practice.

13

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company's adoption of ASU 2014-09 did have an impact on its accounting for certain ancillary items. Specifically, certain costs associated with the marketing of merchandise to wholesale customers for a particular selling season are now expensed as incurred, rather than deferred and expensed over the course of the season. Additionally, revenue related to gift card breakage is now recognized in proportion to the pattern of actual customer redemptions, rather than when the likelihood of redemption becomes remote. As a result of applying these changes and in order to transition to ASU 2014-09, the Company reduced (i) prepaid expenses and other current assets by $12.1 million related to certain previously deferred wholesale marketing costs and (ii) accrued expenses and other current liabilities by $6.1 million related to outstanding gift cards, which together resulted in a net cumulative adjustment to reduce opening retained earnings by $5.2 million, net of tax, as of the beginning of the first quarter of Fiscal 2019. In addition to these changes, inventory amounts associated with estimated sales returns, which were $21.9 million as of June 30, 2018, are now presented within prepaid expenses and other current assets in the consolidated balance sheet, rather than within inventories. Other than these changes, the Company's adoption of ASU 2014-09 did not have a material impact on its consolidated balance sheet as of June 30, 2018 or its consolidated statements of operations, comprehensive income, and cash flows for the three months ended June 30, 2018. Prior periods have not been restated and continue to be reported under the accounting standards in effect during those periods.
See Note 3 for a detailed discussion regarding the Company's revenue recognition accounting policy.

5. Property and Equipment

Property and equipment, net consists of the following:

	June 30, 2018	March 31, 2018
	(millions)	
Land and improvements	$16.8	$16.8
Buildings and improvements	458.8	460.5
Furniture and fixtures	661.2	671.0
Machinery and equipment	437.3	430.4
Capitalized software	578.6	578.4
Leasehold improvements	1,180.5	1,181.2
Construction in progress	35.1	41.5
	3,368.3	3,379.8
Less: accumulated depreciation	(2,226.6)	(2,193.5)
Property and equipment, net	$1,141.7	$1,186.3

Depreciation expense was $64.4 million and $66.9 million during the three-month periods ended June 30, 2018 and July 1, 2017, respectively, and is recorded primarily within SG&A expenses in the consolidated statements of operations.

14

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Other Assets and Liabilities

Prepaid expenses and other current assets consist of the following:

	June 30, 2018	March 31, 2018
	(millions)	
Other taxes receivable	$164.9	$ 171.4
Prepaid rent expense	43.2	37.0
Inventory return asset (see Note 4)	21.9	—
Prepaid software maintenance	15.8	8.7
Derivative financial instruments	14.7	12.3
Prepaid advertising and marketing	9.0	6.8
Restricted cash	8.0	15.5
Tenant allowances receivable	5.6	4.3
Other prepaid expenses and current assets	59.7	67.7
Total prepaid expenses and other current assets	$342.8	$ 323.7

Other non-current assets consist of the following:

	June 30, 2018	March 31, 2018
	(millions)	
Non-current investments	$69.5	$ 86.2
Restricted cash	35.5	35.4
Security deposits	23.4	27.3
Derivative financial instruments	1.3	—
Other non-current assets	33.0	34.6
Total other non-current assets	$162.7	$ 183.5

Accrued expenses and other current liabilities consist of the following:

	June 30, 2018	March 31, 2018
	(millions)	
Accrued inventory	$230.1	$ 174.0
Accrued operating expenses	217.5	225.8
Other taxes payable	200.0	194.2
Accrued payroll and benefits	146.5	227.8
Restructuring reserve	59.0	69.6
Dividends payable	50.7	40.6
Derivative financial instruments	30.2	60.8
Accrued capital expenditures	29.1	37.0
Deferred income	25.5	30.4
Capital lease obligations	20.0	19.5
Other accrued expenses and current liabilities	8.0	3.7
Total accrued expenses and other current liabilities	$1,016.6	$ 1,083.4

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other non-current liabilities consist of the following:

	June 30, 2018	March 31, 2018
	(millions)	
Capital lease obligations	$229.1	$ 236.4
Deferred rent obligations	199.6	212.2
Deferred tax liabilities	33.3	36.5
Derivative financial instruments	29.3	49.2
Restructuring reserve	23.9	27.9
Deferred compensation	6.8	7.0
Other non-current liabilities	38.0	37.5
Total other non-current liabilities	$560.0	$ 606.7

7. Impairment of Assets

During the three-month periods ended June 30, 2018 and July 1, 2017, the Company recorded non-cash impairment charges of $1.3 million and $9.7 million, respectively, to write off certain fixed assets related to its domestic and international stores, shop-within-shops, and corporate offices in connection with its restructuring plans (see Note 8).

8. Restructuring and Other Charges

A description of significant restructuring and other activities and related costs is included below.

Fiscal 2019 Restructuring Plan

On June 4, 2018, the Company's Board of Directors approved a restructuring plan associated with the Company's strategic objective of operating with discipline to drive sustainable growth (the "Fiscal 2019 Restructuring Plan"). The Fiscal 2019 Restructuring Plan includes the following restructuring-related activities: (i) the rightsizing and consolidation of the Company's global distribution network and corporate offices; (ii) targeted severance-related actions; and (iii) closure of certain of its stores and shop-within-shops.

In connection with the Fiscal 2019 Restructuring Plan, the Company expects to incur total estimated charges of approximately $100 million to $150 million, comprised of cash-related charges of approximately $70 million to $110 million and non-cash charges of approximately $30 million to $40 million.

A summary of the charges recorded in connection with the Fiscal 2019 Restructuring Plan during the three months ended June 30, 2018 is as follows:

	Three Months Ended June 30, 2018
	(millions)
Cash-related restructuring charges:	
Severance and benefit costs	$ 8.2
Total cash-related restructuring charges	8.2
Non-cash charges:	
Impairment of assets (see Note 7)	1.3
Total non-cash charges	1.3
Total charges	$ 9.5

16

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A summary of current period activity in the restructuring reserve related to the Fiscal 2019 Restructuring Plan is as follows:

	Severance and Benefit Costs	Total
	(millions)	
Balance at March 31, 2018	$—	$—
Additions charged to expense	8.2	8.2
Cash payments charged against reserve	(0.3)	(0.3)
Balance at June 30, 2018	$7.9	$7.9

Way Forward Plan

On June 2, 2016, the Company's Board of Directors approved a restructuring plan with the objective of delivering sustainable, profitable sales growth and long-term value creation for shareholders (the "Way Forward Plan"). The Company is refocusing on its core brands and evolving its product, marketing, and shopping experience to increase desirability and relevance. It is also evolving its operating model to enable sustainable, profitable sales growth by significantly improving quality of sales, reducing supply chain lead times, improving its sourcing, and executing a disciplined multi-channel distribution and expansion strategy. As part of the Way Forward Plan, the Company is rightsizing its cost structure and implementing a return on investment-driven financial model to free up resources to invest in the brand and drive high-quality sales. The Way Forward Plan includes strengthening the Company's leadership team and creating a more nimble organization by moving from an average of nine to six layers of management. The Way Forward Plan also includes the discontinuance of the Company's Denim & Supply brand and the integration of its denim product offerings into its Polo Ralph Lauren brand. Collectively, these actions, which were substantially completed during the Company's fiscal year ended April 1, 2017 ("Fiscal 2017"), resulted in a reduction in workforce and the closure of certain stores and shop-within-shops.

On March 30, 2017, the Company's Board of Directors approved the following additional restructuring-related activities associated with the Way Forward Plan: (i) the restructuring of its in-house global digital commerce platform which was in development and shifting to a more cost-effective, flexible platform through a new agreement with Salesforce's Commerce Cloud, formerly known as Demandware; (ii) the closure of its Polo store at 711 Fifth Avenue in New York City; and (iii) the further streamlining of the organization and the execution of other key corporate actions in line with the Company's Way Forward Plan. These actions are an important part of the Company's efforts to achieve its stated objective to return to sustainable, profitable growth and invest in the future. These additional restructuring-related activities were largely completed during Fiscal 2018 and resulted in a further reduction in workforce and the closure of certain corporate office and store locations. The remaining activities, which are primarily lease-related, are expected to be completed during Fiscal 2019.

In connection with the Way Forward Plan, the Company currently expects to incur total estimated charges of approximately $770 million, comprised of cash-related restructuring charges of approximately $470 million and non-cash charges of approximately $300 million. Cumulative charges incurred since inception were $675.7 million and the Company expects the remaining charges of approximately $95 million will be recorded during the remainder of Fiscal 2019. In addition to these charges, the Company also incurred an additional non-cash charge of $155.2 million during Fiscal 2017 associated with the destruction of inventory out of current liquidation channels in line with its Way Forward Plan.

17

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A summary of the charges recorded in connection with the Way Forward Plan during the three-month periods ended June 30, 2018 and July 1, 2017, as well as the cumulative charges recorded since its inception, is as follows:

	Three Months Ended June 30, 2018	July 1, 2017	Cumulative Charges
	(millions)		
Cash-related restructuring charges:			
Severance and benefit costs	$6.2	$11.7	$ 227.9
Lease termination and store closure costs	0.1	12.2	120.6
Other cash charges	0.2	2.7	25.6
Total cash-related restructuring charges	6.5	26.6	374.1
Non-cash charges:			
Impairment of assets (see Note 7)	—	9.7	250.6
Inventory-related charges[a]	—	0.7	205.5
Accelerated stock-based compensation expense[b]	—	—	0.7
Total non-cash charges	—	10.4	456.8
Total charges	$6.5	$37.0	$ 830.9

(a) Cumulative inventory-related charges include $155.2 million associated with the destruction of inventory out of current liquidation channels. Inventory-related charges are recorded within cost of goods sold in the consolidated statements of operations.

(b) Accelerated stock-based compensation expense, which is recorded within restructuring and other charges in the consolidated statements of operations, was recorded in connection with vesting provisions associated with certain separation agreements.

A summary of current period activity in the restructuring reserve related to the Way Forward Plan is as follows:

	Severance and Benefit Costs	Lease Termination and Store Closure Costs	Other Cash Charges	Total
	(millions)			
Balance at March 31, 2018	$37.6	$ 53.5	$ 1.8	$92.9
Additions charged to expense	6.2	0.1	0.2	6.5
Cash payments charged against reserve	(14.1)	(10.9)	(0.5)	(25.5)
Non-cash adjustments	(0.2)	(0.1)	—	(0.3)
Balance at June 30, 2018	$29.5	$ 42.6	$ 1.5	$73.6

Other Restructuring Plans

As of June 30, 2018, the remaining restructuring reserve related to the Company's restructuring plan initiated during its fiscal year ended April 2, 2016 ("Fiscal 2016") was $1.4 million, reflecting $3.2 million of cash payments made during the three months ended June 30, 2018. No other activity occurred in connection with this restructuring plan during the three months ended June 30, 2018. Refer to Note 9 of the Fiscal 2018 10-K for additional discussion regarding this restructuring plan.

Explanation of Responses:

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other Charges
During each of the three-month periods ended June 30, 2018 and July 1, 2017, the Company recorded other charges of $3.5 million related to depreciation expense associated with the Company's former Polo store at 711 Fifth Avenue in New York City, recorded after the store closed during the first quarter of Fiscal 2018 in connection with the Way Forward Plan. Although the Company is no longer generating revenue or has any other economic activity associated with its former Polo store, it continues to incur depreciation expense due to its involvement at the time of construction. During the three months ended June 30, 2018, the Company also recorded other charges of $4.2 million, primarily related to its customs audit (see Note 13).
Additionally, during the three months ended July 1, 2017, the Company recorded other charges of $6.7 million (inclusive of accelerated stock-based compensation expense of $2.1 million), primarily related to the departure of Mr. Stefan Larsson as the Company's President and Chief Executive Officer and as a member of its Board of Directors, effective as of May 1, 2017. Refer to the Form 8-K filed on February 2, 2017 for additional discussion regarding the departure of Mr. Larsson.
9. Income Taxes
U.S. Tax Reform
On December 22, 2017, President Trump signed into law new tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "TCJA"), which became effective January 1, 2018. The TCJA significantly revised U.S. tax law by, among other provisions, lowering the U.S. federal statutory income tax rate from 35% to 21%, creating a territorial tax system that includes a one-time mandatory transition tax on previously deferred foreign earnings, and eliminating or reducing certain income tax deductions.
ASC Topic 740, "Income Taxes," requires the effects of changes in tax laws to be recognized in the period in which the legislation is enacted. However, due to the complexity and significance of the TCJA's provisions, the SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118") on December 22, 2017, which allows companies to record the tax effects of the TCJA on a provisional basis based on a reasonable estimate, and then, if necessary, subsequently adjust such amounts during a limited measurement period as more information becomes available. The measurement period ends when a company has obtained, prepared, and analyzed the information necessary to finalize its accounting, but cannot extend beyond one year from enactment.
During the third quarter of Fiscal 2018, the Company recorded charges of $231.3 million within its income tax provision in connection with the TCJA, of which $215.5 million related to the mandatory transition tax and $15.8 million related to the revaluation of the Company's deferred tax assets and liabilities. Subsequently, as a result of finalizing its full Fiscal 2018 operating results, the issuance of new interpretive guidance, and other analyses performed, the Company recorded immaterial measurement period adjustments during the fourth quarter of Fiscal 2018, whereby it reversed $6.2 million of the charges related to the mandatory transition tax and $5.5 million related to the revaluation of its deferred taxes. These reversals were partially offset by an incremental charge of $1.8 million related to the expected future remittance of certain previously deferred foreign earnings. These net charges of $221.4 million were recorded on a provisional basis based on the Company's present interpretations of the TCJA and are subject to further refinement as additional information becomes available, including potential new or interpretative guidance issued by the FASB or the Internal Revenue Service and other tax agencies, and as further analyses are completed. No measurement period adjustments were recorded during the three months ended June 30, 2018.
The Company is also in the process of assessing various international taxation provisions of the TCJA that became effective for the Company beginning in the first quarter of Fiscal 2019, including a minimum tax on global intangible low-taxed income ("GILTI"). The Company has tentatively decided to account for GILTI tax in the period in which it is incurred and therefore has not provided any deferred tax impacts of GILTI in its consolidated financial statements for the three months ended June 30, 2018. The Company will continue to evaluate this policy election during the remainder of Fiscal 2019.

Explanation of Responses:

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Effective Tax Rate

The Company's effective tax rate, which is calculated by dividing each fiscal period's income tax provision by pretax income, was 18.0% and 31.4% during the three-month periods ended June 30, 2018 and July 1, 2017, respectively. The effective tax rate for the three months ended June 30, 2018 was lower than the U.S. federal statutory income tax rate of 21.0% primarily as a result of the favorable impact of the proportion of earnings generated in lower taxed foreign jurisdictions versus the U.S. The effective tax rate for the three months ended July 1, 2017 was lower than the U.S. federal statutory income tax rate of 35.0% as a result of the proportion of earnings generated in lower taxed foreign jurisdictions versus the U.S., partially offset by the negative impact of the adoption of ASU No. 2016-09, "Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"). Refer to Note 4 of the Fiscal 2018 10-K for further discussion of the Company's adoption of ASU 2016-09.

Uncertain Income Tax Benefits

The Company classifies interest and penalties related to unrecognized tax benefits as part of its income tax provision. The total amount of unrecognized tax benefits, including interest and penalties, was $77.8 million and $79.2 million as of June 30, 2018 and March 31, 2018, respectively, and is included within non-current liability for unrecognized tax benefits in the consolidated balance sheets.

The total amount of unrecognized tax benefits that, if recognized, would affect the Company's effective tax rate was $69.0 million and $68.4 million as of June 30, 2018 and March 31, 2018, respectively.

Future Changes in Unrecognized Tax Benefits

The total amount of unrecognized tax benefits relating to the Company's tax positions is subject to change based on future events including, but not limited to, settlements of ongoing tax audits and assessments and the expiration of applicable statutes of limitations. Although the outcomes and timing of such events are highly uncertain, the Company does not anticipate that the balance of gross unrecognized tax benefits, excluding interest and penalties, will change significantly during the next twelve months. However, changes in the occurrence, expected outcomes, and timing of such events could cause the Company's current estimate to change materially in the future.

The Company files a consolidated U.S. federal income tax return, as well as tax returns in various state, local, and foreign jurisdictions. The Company is generally no longer subject to examinations by the relevant tax authorities for years prior to its fiscal year ended April 3, 2010.

10. Debt

Debt consists of the following:

	June 30, 2018	March 31, 2018
	(millions)	
$300 million 2.125% Senior Notes[(a)]	$299.0	$ 298.1
$300 million 2.625% Senior Notes[(b)]	288.0	288.0
Borrowings outstanding under credit facilities	—	10.1
Total debt	587.0	596.2
Less: short-term debt and current portion of long-term debt	299.0	308.2
Long-term debt	$288.0	$ 288.0

(a) The carrying value of the 2.125% Senior Notes as of June 30, 2018 and March 31, 2018 reflects adjustments of $0.9 million and $1.6 million, respectively, associated with the Company's related interest rate swap contract (see Note 12). The carrying value of the 2.125% Senior Notes is also presented net of unamortized debt issuance costs and discount of $0.1 million and $0.3 million as of June 30, 2018 and March 31, 2018, respectively.

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(b) The carrying value of the 2.625% Senior Notes as of June 30, 2018 and March 31, 2018 reflects adjustments of $11.0 million and $10.8 million, respectively, associated with the Company's related interest rate swap contract (see Note 12). The carrying value of the 2.625% Senior Notes is also presented net of unamortized debt issuance costs and discount of $1.0 million and $1.2 million as of June 30, 2018 and March 31, 2018, respectively.

Senior Notes

In September 2013, the Company completed a registered public debt offering and issued $300 million aggregate principal amount of unsecured senior notes due September 26, 2018, which bear interest at a fixed rate of 2.125%, payable semi-annually (the "2.125% Senior Notes"). The 2.125% Senior Notes were issued at a price equal to 99.896% of their principal amount. The proceeds from this offering were used for general corporate purposes, including repayment of the Company's previously outstanding €209 million principal amount of 4.5% Euro-denominated notes, which matured on October 4, 2013.

In August 2015, the Company completed a second registered public debt offering and issued an additional $300 million aggregate principal amount of unsecured senior notes due August 18, 2020, which bear interest at a fixed rate of 2.625%, payable semi-annually (the "2.625% Senior Notes"). The 2.625% Senior Notes were issued at a price equal to 99.795% of their principal amount. The proceeds from this offering were used for general corporate purposes.

The Company has the option to redeem the 2.125% Senior Notes and 2.625% Senior Notes (collectively, the "Senior Notes"), in whole or in part, at any time at a price equal to accrued and unpaid interest on the redemption date, plus the greater of (i) 100% of the principal amount of the series of Senior Notes to be redeemed or (ii) the sum of the present value of Remaining Scheduled Payments, as defined in the supplemental indentures governing such Senior Notes (together with the indenture governing the Senior Notes, the "Indenture"). The Indenture contains certain covenants that restrict the Company's ability, subject to specified exceptions, to incur certain liens; enter into sale and leaseback transactions; consolidate or merge with another party; or sell, lease, or convey all or substantially all of the Company's property or assets to another party. However, the Indenture does not contain any financial covenants.

Commercial Paper

In May 2014, the Company initiated a commercial paper borrowing program (the "Commercial Paper Program") that allowed it to issue up to $300 million of unsecured commercial paper notes through private placement using third-party broker-dealers. In May 2015, the Company expanded its Commercial Paper Program to allow for a total issuance of up to $500 million of unsecured commercial paper notes.

Borrowings under the Commercial Paper Program are supported by the Global Credit Facility, as defined below. Accordingly, the Company does not expect combined borrowings outstanding under the Commercial Paper Program and Global Credit Facility to exceed $500 million. Commercial Paper Program borrowings may be used to support the Company's general working capital and corporate needs. Maturities of commercial paper notes vary, but cannot exceed 397 days from the date of issuance. Commercial paper notes issued under the Commercial Paper Program rank equally with the Company's other forms of unsecured indebtedness. As of June 30, 2018, there were no borrowings outstanding under the Commercial Paper Program.

Revolving Credit Facilities

Global Credit Facility

In February 2015, the Company entered into an amended and restated credit facility (which was further amended in March 2016) that provides for a $500 million senior unsecured revolving line of credit through February 11, 2020 (the "Global Credit Facility") under terms and conditions substantially similar to those previously in effect. The Global Credit Facility is also used to support the issuance of letters of credit and the maintenance of the Commercial Paper Program. Borrowings under the Global Credit Facility may be denominated in U.S. Dollars and other currencies, including Euros, Hong Kong Dollars, and Japanese Yen. The Company has the ability to expand its borrowing availability under the Global Credit Facility to $750 million, subject to the agreement of one or more new or existing lenders under the facility to increase their commitments. There are no mandatory reductions in borrowing ability throughout the term of the Global Credit Facility. As of June 30, 2018, there were no borrowings outstanding under the Global Credit Facility and the Company was contingently liable for $10.3 million of outstanding letters of credit.

21

Explanation of Responses:

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Global Credit Facility contains a number of covenants that, among other things, restrict the Company's ability, subject to specified exceptions, to incur additional debt; incur liens; sell or dispose of assets; merge with or acquire other companies; liquidate or dissolve itself; engage in businesses that are not in a related line of business; make loans, advances, or guarantees; engage in transactions with affiliates; and make certain investments. The Global Credit Facility also requires the Company to maintain a maximum ratio of Adjusted Debt to Consolidated EBITDAR (the "leverage ratio") of no greater than 3.75 as of the date of measurement for the four most recent consecutive fiscal quarters. Adjusted Debt is defined generally as consolidated debt outstanding plus four times consolidated rent expense for the four most recent consecutive fiscal quarters. Consolidated EBITDAR is defined generally as consolidated net income plus (i) income tax expense, (ii) net interest expense, (iii) depreciation and amortization expense, (iv) consolidated rent expense, (v) restructuring and other non-recurring expenses, and (vi) acquisition-related costs. As of June 30, 2018, no Event of Default (as such term is defined pursuant to the Global Credit Facility) has occurred under the Company's Global Credit Facility.

Pan-Asia Credit Facilities

Certain of the Company's subsidiaries in Asia have uncommitted credit facilities with regional branches of JPMorgan Chase (the "Banks") in China and South Korea (the "Pan-Asia Credit Facilities"). These credit facilities are subject to annual renewal and may be used to fund general working capital and corporate needs of the Company's operations in the respective countries. Borrowings under the Pan-Asia Credit Facilities are guaranteed by the parent company and are granted at the sole discretion of the Banks, subject to availability of the Banks' funds and satisfaction of certain regulatory requirements. The Pan-Asia Credit Facilities do not contain any financial covenants. The Company's Pan-Asia Credit Facilities by country are as follows:

- China Credit Facility — provides Ralph Lauren Trading (Shanghai) Co., Ltd. with a revolving line of credit of up to 50 million Chinese Renminbi (approximately $8 million) through April 3, 2019, which is also able to be used to support bank guarantees.
- South Korea Credit Facility — provides Ralph Lauren (Korea) Ltd. with a revolving line of credit of up to 47 billion South Korean Won (approximately $42 million) through October 31, 2018.

During the first quarter of Fiscal 2019, the Company repaid approximately $10 million in borrowings that were previously outstanding under its Pan-Asia Credit Facilities. As of June 30, 2018, there were no borrowings outstanding under the Pan-Asia Credit Facilities.

Refer to Note 11 of the Fiscal 2018 10-K for additional discussion of the terms and conditions of the Company's debt and credit facilities.

11. Fair Value Measurements

U.S. GAAP establishes a three-level valuation hierarchy for disclosure of fair value measurements. The determination of the applicable level within the hierarchy for a particular asset or liability depends on the inputs used in its valuation as of the measurement date, notably the extent to which the inputs are market-based (observable) or internally-derived (unobservable). A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows:

- Level 1 — inputs to the valuation methodology based on quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 — inputs to the valuation methodology based on quoted prices for similar assets or liabilities in active markets for substantially the full term of the financial instrument; quoted prices for identical or similar instruments in markets that are not active for substantially the full term of the financial instrument; and model-derived valuations whose inputs or significant value drivers are observable.
- Level 3 — inputs to the valuation methodology based on unobservable prices or valuation techniques that are significant to the fair value measurement.

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes the Company's financial assets and liabilities that are measured and recorded at fair value on a recurring basis, excluding accrued interest components:

	June 30, 2018	March 31, 2018
	(millions)	
Investments in commercial paper[a][b]	$153.6	$ 234.2
Derivative assets[a]	16.0	12.3
Derivative liabilities[a]	59.5	110.0

[a] Based on Level 2 measurements.
[b] Amount as of June 30, 2018, was included within short-term investments in the consolidated balance sheet. As of March 31, 2018, $15.0 million was included within cash and cash equivalents and $219.2 million was included within short-term investments in the consolidated balance sheet.

The Company's investments in commercial paper are classified as available-for-sale and recorded at fair value in its consolidated balance sheets using external pricing data, based on interest rates and credit ratings for similar issuances with the same remaining term as the Company's investments. To the extent the Company invests in bonds, such investments are also classified as available-for-sale and recorded at fair value in its consolidated balance sheets based on quoted prices in active markets.

The Company's derivative financial instruments are recorded at fair value in its consolidated balance sheets and are valued using pricing models that are primarily based on market observable external inputs, including spot and forward currency exchange rates, benchmark interest rates, and discount rates consistent with the instrument's tenor, and consider the impact of the Company's own credit risk, if any. Changes in counterparty credit risk are also considered in the valuation of derivative financial instruments.

The Company's cash and cash equivalents, restricted cash, and time deposits are recorded at carrying value, which approximates fair value based on Level 1 measurements.

The Company's debt instruments are recorded at their carrying values in its consolidated balance sheets, which may differ from their respective fair values. The fair values of the Senior Notes are estimated based on external pricing data, including available quoted market prices, and with reference to comparable debt instruments with similar interest rates, credit ratings, and trading frequency, among other factors. The fair values of the Company's commercial paper notes and borrowings outstanding under its credit facilities, if any, are estimated using external pricing data, based on interest rates and credit ratings for similar issuances with the same remaining term as the Company's outstanding borrowings. Due to their short-term nature, the fair values of the Company's commercial paper notes and borrowings outstanding under its credit facilities, if any, generally approximate their carrying values.

The following table summarizes the carrying values and the estimated fair values of the Company's debt instruments:

	June 30, 2018		March 31, 2018	
	Carrying Value[a]	Fair Value[b]	Carrying Value[a]	Fair Value[b]
	(millions)			
$300 million 2.125% Senior Notes	$299.0	$ 299.5	$298.1	$ 299.4
$300 million 2.625% Senior Notes	288.0	297.3	288.0	298.7
Borrowings outstanding under credit facilities	—	—	10.1	10.1

[a] See Note 10 for discussion of the carrying values of the Company's Senior Notes.
[b] Based on Level 2 measurements.

Unrealized gains or losses resulting from changes in the fair value of the Company's debt do not result in the realization or expenditure of cash, unless the debt is retired prior to its maturity.

23

Explanation of Responses:

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Non-financial Assets and Liabilities

The Company's non-financial assets, which primarily consist of goodwill, other intangible assets, and property and equipment, are not required to be measured at fair value on a recurring basis and are reported at carrying value. However, on a periodic basis or whenever events or changes in circumstances indicate that their carrying value may not be fully recoverable (and at least annually for goodwill and indefinite-lived intangible assets), non-financial assets are assessed for impairment and, if applicable, written down to and recorded at fair value, considering external market participant assumptions.

During the three-month periods ended June 30, 2018 and July 1, 2017, the Company recorded non-cash impairment charges of $1.3 million and $9.7 million, respectively, to fully write off the carrying values of certain long-lived assets based upon their assumed fair values of zero. The fair values of these assets were determined based on Level 3 measurements. Inputs to these fair value measurements included estimates of the amount and timing of the assets' net future discounted cash flows based on historical experience, current trends, and market conditions. See Note 7 for further discussion of the non-cash impairment charges recorded by the Company during the fiscal periods presented. No goodwill impairment charges were recorded during either of the three-month periods ended June 30, 2018 or July 1, 2017.

12. Financial Instruments

Derivative Financial Instruments

The Company is exposed to changes in foreign currency exchange rates, primarily relating to certain anticipated cash flows and the value of the reported net assets of its international operations, as well as changes in the fair value of its fixed-rate debt obligations attributed to changes in a benchmark interest rate. Consequently, the Company uses derivative financial instruments to manage and mitigate such risks. The Company does not enter into derivative transactions for speculative or trading purposes.

The following table summarizes the Company's outstanding derivative instruments on a gross basis as recorded in its consolidated balance sheets as of June 30, 2018 and March 31, 2018:

Derivative Instrument[a]	Notional Amounts		Derivative Assets				Derivative Liabilities			
	June 30, 2018	March 31, 2018	June 30, 2018		March 31, 2018		June 30, 2018		March 31, 2018	
			Balance Sheet Line[b]	Fair Value	Balance Sheet Line[b]	Fair Value	Balance Sheet Line[b]	Fair Value	Balance Sheet Line[b]	Fair Value
	(millions)									
Designated Hedges:										
FC — Cash flow hedges	$523.6	$514.5	[e]	$15.1	PP	$1.1	AE	$2.4	[f]	$13.5
IRS — Fixed-rate debt	600.0	600.0		—		—	[g]	11.9	[h]	12.4
Net investment hedges[c]	640.7	1,081.2		—	PP	0.1	[i]	44.5	[j]	82.6
Total Designated Hedges	1,764.3	2,195.7		15.1		1.2		58.8		108.5
Undesignated Hedges:										
FC — Undesignated hedges[d]	187.3	459.2	PP	0.9	PP	11.1	AE	0.7	AE	1.5
Total Hedges	$1,951.6	$2,654.9		$16.0		$12.3		$59.5		$110.0

[a] FC = Forward foreign currency exchange contracts; IRS = Interest rate swap contracts

[b] PP = Prepaid expenses and other current assets; AE = Accrued expenses and other current liabilities.

[c] Includes cross-currency swaps and forward foreign currency exchange contracts designated as hedges of the Company's net investment in certain foreign operations.

[d] Primarily includes undesignated hedges of foreign currency-denominated intercompany loans and other intercompany balances.

[e]

$13.8 million included within prepaid expenses and other current assets and $1.3 million included within other non-current assets.

24

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(f) $12.9 million included within accrued expenses and other current liabilities and $0.6 million included within other non-current liabilities.

(g) $0.9 million included within accrued expenses and other current liabilities and $11.0 million included within other non-current liabilities.

(h) $1.6 million included within accrued expenses and other current liabilities and $10.8 million included within other non-current liabilities.

(i) $26.2 million included within accrued expenses and other current liabilities and $18.3 million included within other non-current liabilities.

(j) $44.8 million included within accrued expenses and other current liabilities and $37.8 million included within other non-current liabilities.

The Company records and presents the fair values of all of its derivative assets and liabilities in its consolidated balance sheets on a gross basis, even when they are subject to master netting arrangements. However, if the Company were to offset and record the asset and liability balances of all of its derivative instruments on a net basis in accordance with the terms of each of its master netting arrangements, spread across eight separate counterparties, the amounts presented in the consolidated balance sheets as of June 30, 2018 and March 31, 2018 would be adjusted from the current gross presentation as detailed in the following table:

	June 30, 2018			March 31, 2018		
	Gross Amounts Presented in the Balance Sheet	Gross Amounts Not Offset in the Balance Sheet that are Subject to Master Netting Agreements	Net Amount	Gross Amounts Presented in the Balance Sheet	Gross Amounts Not Offset in the Balance Sheet that are Subject to Master Netting Agreements	Net Amount
	(millions)					
Derivative assets	$16.0	$ (4.9)	$ 11.1	$12.3	$ (10.7)	$ 1.6
Derivative liabilities	59.5	(4.9)	54.6	110.0	(10.7)	99.3

The Company's master netting arrangements do not require cash collateral to be pledged by the Company or its counterparties. See Note 3 for further discussion of the Company's master netting arrangements.

The following tables summarize the pretax impact of gains and losses from the Company's designated derivative instruments on its consolidated financial statements for the three-month periods ended June 30, 2018 and July 1, 2017:

	Gains (Losses) Recognized in OCI	
	Three Months Ended	
	June 30, 2018	July 1, 2017
	(millions)	
Designated Hedges:		
FC — Cash flow hedges	$26.1	$(19.1)
Net investment hedges - effective portion	37.4	(40.3)
Net investment hedges - portion excluded from assessment of hedge effectiveness	1.8	—

Total Designated Hedges	$65.3	$(59.4)

25

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Location and Amount of Gains (Losses) from Cash Flow Hedges Reclassified from AOCI to Earnings Three Months Ended			
	June 30, 2018		July 1, 2017	
	Cost of goods sold	Other expense, net	Cost of goods sold	Other expense, net
	(millions)			
Total amounts presented in the consolidated statements of operations in which the effects of related cash flow hedges are recorded	$(494.9)	$ (2.0)	$(495.9)	$ (0.5)
Effects of cash flow hedging:				
FC — Cash flow hedges	(6.2)	1.4	4.0	(0.6)

	Gains (Losses) from Net Investment Hedges Recognized in Earnings Three Months Ended		Location of Gains (Losses) Recognized in Earnings
	June 30, 2018	July 1, 2017	
	(millions)		
Net Investment Hedges			
Net investment hedges — portion excluded from assessment of hedge effectiveness[(a)]	$ 4.3	$ 1.8	Interest expense
Total Net Investment Hedges	$ 4.3	$ 1.8	

(a) Amounts recognized in other comprehensive income (loss) ("OCI") related to the effective portion of the Company's net hedges would be recognized in earnings only upon the sale or liquidation of the hedged net investment.

As of June 30, 2018, it is estimated that $11.5 million of pretax net gains on both outstanding and matured derivative instruments designated as cash flow hedges deferred in AOCI will be recognized in earnings over the next twelve months. The amounts ultimately recognized in earnings will depend on exchange rates in effect when outstanding derivative instruments are settled.

The following table summarizes the pretax impact of gains and losses from the Company's undesignated derivative instruments on its consolidated financial statements for the three-month periods ended June 30, 2018 and July 1, 2017:

	Gains (Losses) Recognized in Earnings Three Months Ended	Location of Gains (Losses) Recognized in Earnings

	June 30, 2018	July 1, 2017	
	(millions)		
Undesignated Hedges:			
FC — Undesignated hedges	$ 3.1	$ 2.6	Other expense, net
Total Undesignated Hedges	$ 3.1	$ 2.6	

Risk Management Strategies

Forward Foreign Currency Exchange Contracts

The Company uses forward foreign currency exchange contracts to reduce its risk related to exchange rate fluctuations on inventory transactions made in an entity's non-functional currency, intercompany royalty payments made by certain of its international operations, the settlement of foreign currency-denominated balances, and the translation of certain foreign operations' net assets into U.S. dollars. As part of its overall strategy to manage the level of exposure to the risk of foreign currency exchange rate fluctuations, primarily to changes in the value of the Euro, the Japanese Yen, the South Korean Won, the Australian Dollar,

26

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

the Canadian Dollar, the British Pound Sterling, the Swiss Franc, the Swedish Krona, the Chinese Renminbi, the New Taiwan Dollar, and the Hong Kong Dollar, the Company hedges a portion of its foreign currency exposures anticipated over a two-year period. In doing so, the Company uses forward foreign currency exchange contracts that generally have maturities of two months to two years to provide continuing coverage throughout the hedging period of the respective exposure.

Interest Rate Swap Contracts

During Fiscal 2016, the Company entered into two pay-floating rate, receive-fixed rate interest rate swap contracts which it designated as hedges against changes in the respective fair values of its fixed-rate 2.125% Senior Notes and its fixed-rate 2.625% Senior Notes attributed to changes in a benchmark interest rate (the "Interest Rate Swaps"). The Interest Rate Swaps, which mature on September 26, 2018 and August 18, 2020, respectively, both have notional amounts of $300 million and swap the fixed interest rates on the Company's 2.125% Senior Notes and 2.625% Senior Notes for variable interest rates based on the 3-month London Interbank Offered Rate ("LIBOR") plus a fixed spread. Changes in the fair values of the Interest Rate Swaps were offset by changes in the fair values of the 2.125% Senior Notes and 2.625% Senior Notes attributed to changes in the benchmark interest rate, with no resulting net impact reflected in earnings during any of the fiscal periods presented. The following table summarizes the carrying values of the Senior Notes and the impacts of the related fair value hedging adjustments as of June 30, 2018 and March 31, 2018:

Hedged Item	Balance Sheet Line in which the Hedged Item is Included	Carrying Value of the Hedged Item		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Value of the Hedged Item	
		June 30, 2018	March 31, 2018	June 30, 2018	March 31, 2018
		(millions)			
$300 million 2.125% Senior Notes	Current portion of long-term debt	$299.0	$ 298.1	$(0.9)	$ (1.6)
$300 million 2.625% Senior Notes	Long-term debt	288.0	288.0	(11.0)	(10.8)

Cross-Currency Swap Contracts

During Fiscal 2016, the Company entered into two pay-floating rate, receive-floating rate cross-currency swap contracts, with notional amounts of €280 million and €274 million, which it designated as hedges of its net investment in certain of its European subsidiaries (the "Cross-Currency Swaps"). The Cross-Currency Swaps, which mature on September 26, 2018 and August 18, 2020, respectively, swap the U.S. Dollar-denominated variable interest rate payments based on 3-month LIBOR plus a fixed spread (as paid under the Interest Rate Swaps discussed above) for Euro-denominated variable interest rate payments based on the 3-month Euro Interbank Offered Rate plus a fixed spread. As a result, the Cross-Currency Swaps, in conjunction with the Interest Rate Swaps, economically convert the Company's $300 million fixed-rate 2.125% and $300 million fixed-rate 2.625% obligations to €280 million and €274 million floating-rate Euro-denominated liabilities, respectively.

See Note 3 for further discussion of the Company's accounting policies relating to its derivative financial instruments.

Investments

As of June 30, 2018, the Company's short-term investments consisted of $1.334 billion of time deposits and $153.6 million of commercial paper, and its non-current investments consisted of $69.5 million of time deposits. As of March 31, 2018, the Company's short-term investment consisted of $480.2 million of time deposits and $219.2 million

of commercial paper, and its non-current investments consisted of $86.2 million of time deposits.
No significant realized or unrealized gains or losses on available-for-sale investments or other-than-temporary impairment charges were recorded during any of the fiscal periods presented.
Refer to Note 3 of the Fiscal 2018 10-K for further discussion of the Company's accounting policies relating to its investments.

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Commitments and Contingencies

Lease Obligations

During the first quarter of Fiscal 2019, the Company entered into a lease for a new corporate office in New Jersey. The initial lease term is approximately 16 years, with optional renewal periods. The Company's total minimum commitment relating to the lease is $116.7 million, with minimum lease payments of $1.9 million due in the Company's fiscal year 2021, $7.8 million due in each of the Company's fiscal years 2022 and 2023, and aggregate minimum lease payments of $99.2 million for the Company's fiscal years 2024 through 2036. The Company expects to take possession of this property during its fiscal year 2020.

Customs Audit

In September 2014, one of the Company's international subsidiaries received a pre-assessment notice from the relevant customs officials concerning the method used to determine the dutiable value of imported inventory. The notice communicated the customs officials' assertion that the Company should have applied an alternative duty method, which could have resulted in up to $46 million in incremental duty and non-creditable value-added tax, including $11 million in interest and penalties. The Company believed that the alternative duty method claimed by the customs officials was not applicable to the Company's facts and circumstances and contested their asserted methodology.

In October 2014, the Company filed an appeal of the pre-assessment notice in accordance with the standard procedures established by the relevant customs authorities. In response to the filing of the Company's appeal of the pre-assessment notice, the review committee instructed the customs officials to reconsider their assertion of the alternative duty method and conduct a re-audit to evaluate the facts and circumstances noted in the pre-assessment notice. In December 2015, the Company received the results of the re-audit conducted and a customs audit assessment notice in the amount of $34.1 million, which the Company recorded within restructuring and other charges in its consolidated statements of operations during the third quarter of Fiscal 2016. Although the Company disagreed with the assessment notice, in order to secure the Company's rights, the Company was required to pay the assessment amount and then subsequently file an appeal with the customs authorities.

In October 2017, the tax tribunal presiding over the Company's appeal instructed the customs officials to reconsider their assertions under the alternative duty method and conduct a second re-audit to evaluate the facts and circumstances noted in the pre-assessment notice. In March 2018, the Company received the results of the second re-audit conducted and a related net refund in the amount of $15.6 million. Additionally, in March 2018 and May 2018, the Company filed voluntary disclosure requests to the relevant customs authorities for certain post-audit periods and made related payments of $40.6 million and $7.1 million, respectively, in order to secure its rights to recover value-added tax of $14.8 million and $3.3 million, respectively. In connection with the re-audit refund received and the non-tax portion of the voluntary disclosure payment made, the Company recorded net charges of $10.2 million and $3.8 million, respectively, within restructuring and other charges in its consolidated statements of operations during the fourth quarter of Fiscal 2018 and first quarter of Fiscal 2019, respectively.

Although the Company believes its original filing position was appropriate, in June 2018, the Company decided to resolve the dispute and not further appeal the re-audit decision within the courts for the periods covered by the re-audit in order to avoid incurring additional management time, costs, and uncertainty associated with litigation, as the customs officials' revised methodology results in an incremental annual duty charge that is not material to the Company.

Other Matters

The Company is involved, from time to time, in litigation, other legal claims, and proceedings involving matters associated with or incidental to its business, including, among other things, matters involving credit card fraud, trademark and other intellectual property, licensing, importation and exportation of its products, taxation, unclaimed property, and employee relations. The Company believes at present that the resolution of currently pending matters will not individually or in the aggregate have a material adverse effect on its consolidated financial statements. However, the Company's assessment of any current litigation or other legal claims could potentially change in light of

the discovery of facts not presently known or determinations by judges, juries, or other finders of fact which are not in accord with management's evaluation of the possible liability or outcome of such litigation or claims.
In the normal course of business, the Company enters into agreements that provide general indemnifications. The Company has not made any significant indemnification payments under such agreements in the past, and does not currently anticipate incurring any material indemnification payments.

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Equity

Summary of Changes in Equity

A reconciliation of the beginning and ending amounts of equity is presented below:

	Three Months Ended	
	June 30, 2018	July 1, 2017
	(millions)	
Balance at beginning of period	$3,457.4	$3,299.6
Comprehensive income	106.1	93.8
Dividends declared	(50.7)	(40.6)
Repurchases of common stock, including shares surrendered for tax withholdings	(130.0)	(14.4)
Stock-based compensation	21.5	21.6
Shares issued pursuant to stock-based compensation arrangements	21.8	0.1
Cumulative adjustment from adoption of new accounting standards (see Note 4)	(5.1)	—
Balance at end of period	$3,421.0	$3,360.1

Common Stock Repurchase Program

A summary of the Company's repurchases of Class A common stock under its common stock repurchase program is as follows:

	Three Months Ended	
	June 30, 2018	July 1, 2017
	(millions)	
Cost of shares repurchased	$100.0	$ —
Number of shares repurchased	0.7	0.0

On June 4, 2018, the Company's Board of Directors approved an expansion of the Company's existing common stock repurchase program that allows it to repurchase up to an additional $1.000 billion of Class A Common stock. As of June 30, 2018, the remaining availability under the Company's Class A common stock repurchase program was approximately $1.000 billion. Repurchases of shares of Class A common stock are subject to overall business and market conditions.

In addition, during each of the three-month periods ended June 30, 2018 and July 1, 2017, 0.2 million shares of Class A common stock, at a cost of $30.0 million and $14.4 million, respectively, were surrendered to or withheld by the Company in satisfaction of withholding taxes in connection with the vesting of awards under the Company's 1997 Long-Term Stock Incentive Plan, as amended (the "1997 Incentive Plan"), and its Amended and Restated 2010 Long-Term Stock Incentive Plan (the "2010 Incentive Plan").

Repurchased and surrendered shares are accounted for as treasury stock at cost and held in treasury for future use.

Dividends

Since 2003, the Company has maintained a regular quarterly cash dividend program on its common stock. On June 4, 2018, the Company's Board of Directors approved an increase to the Company's quarterly cash dividend on its common stock from $0.50 to $0.625 per share. The first quarter Fiscal 2019 dividend of $0.625 per share was declared on June 4, 2018, was payable to stockholders of record at the close of business on June 29, 2018, and was paid on July 13, 2018. Dividends paid amounted to $40.6 million and $40.5 million during the three-month periods ended June 30, 2018 and July 1, 2017, respectively.

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Accumulated Other Comprehensive Income (Loss)

The following table presents OCI activity, net of tax, which is accumulated in equity:

	Foreign Currency Translation Gains (Losses)[a]	Net Unrealized Gains (Losses) on Cash Flow Hedges[b]	Net Unrealized Gains (Losses) on Defined Benefit Plans[c]	Total Accumulated Other Comprehensive Income (Loss)
	(millions)			
Balance at April 1, 2017	$(206.2)	$ 14.6	$ (6.8)	$ (198.4)
Other comprehensive income (loss), net of tax:				
OCI before reclassifications	56.6	(18.8)	(0.5)	37.3
Amounts reclassified from AOCI to earnings	—	(3.2)	0.2	(3.0)
Other comprehensive income (loss), net of tax	56.6	(22.0)	(0.3)	34.3
Balance at July 1, 2017	$(149.6)	$ (7.4)	$ (7.1)	$ (164.1)
Balance at March 31, 2018	$(79.3)	$ (16.0)	$ (3.2)	$ (98.5)
Other comprehensive income (loss), net of tax:				
OCI before reclassifications	(30.7)	23.3	0.2	(7.2)
Amounts reclassified from AOCI to earnings	—	4.4	(0.1)	4.3
Other comprehensive income (loss), net of tax	(30.7)	27.7	0.1	(2.9)
Balance at June 30, 2018	$(110.0)	$ 11.7	$ (3.1)	$ (101.4)

(a) OCI before reclassifications to earnings related to foreign currency translation gains (losses) includes an income tax provision of $4.6 million for the three months ended June 30, 2018, and includes an income tax benefit of $12.8 million for the three months ended July 1, 2017. OCI before reclassifications to earnings for the three-month periods ended June 30, 2018 and July 1, 2017 includes a gain of $29.8 million (net of a $9.4 million income tax provision) and a loss of $25.1 million (net of a $15.2 million income tax benefit), respectively, related to changes in the fair values of instruments designated as hedges of the Company's net investment in certain foreign operations (see Note 12).

(b) OCI before reclassifications to earnings related to net unrealized gains (losses) on cash flow hedges are presented net of an income tax provision of $2.8 million and an income tax benefit of $0.3 million for the three-month periods ended June 30, 2018 and July 1, 2017, respectively. The tax effects on amounts reclassified from AOCI to earnings are presented in a table below.

(c) Activity is presented net of taxes, which were immaterial for both periods presented.

The following table presents reclassifications from AOCI to earnings for cash flow hedges, by component:

	Three Months Ended		Location of Gains (Losses) Reclassified from AOCI to Earnings
	June 30, 2018	July 1, 2017	
	(millions)		
Gains (losses) on cash flow hedges[a]:			
FC — Cash flow hedges	$ (6.2)	$ 4.0	Cost of goods sold
FC — Cash flow hedges	1.4	(0.6)	

			Other expense, net
Tax effect	0.4	(0.2)	Income tax provision
Net of tax	$ (4.4)	$ 3.2	

[a] FC = Forward foreign currency exchange contracts.

30

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Stock-based Compensation

The Company's stock-based compensation awards are currently issued under the 2010 Incentive Plan, which was approved by its stockholders on August 5, 2010. However, any prior awards granted under the 1997 Incentive Plan remain subject to the terms of that plan. Any awards that expire, are forfeited, or are surrendered to the Company in satisfaction of taxes are available for issuance under the 2010 Incentive Plan.

Refer to Note 17 of the Fiscal 2018 10-K for a detailed description of the Company's stock-based compensation awards, including information related to vesting terms, service and performance conditions, and payout percentages.

Impact on Results

A summary of total stock-based compensation expense and the related income tax benefits recognized during the three-month periods ended June 30, 2018 and July 1, 2017 is as follows:

	Three Months Ended	
	June 30, 2018	July 1, 2017
	(millions)	
Compensation expense	$21.5	$21.6 [(a)]
Income tax benefit	(3.2)	(7.9)

(a) The three months ended July 1, 2017 includes $2.1 million of accelerated stock-based compensation expense recorded within restructuring and other charges in the consolidated statements of operations (see Note 8). All other stock-based compensation expense was recorded within SG&A expenses.

The Company issues its annual grants of stock-based compensation awards in the first half of each fiscal year. Due to the timing of the annual grants and other factors, including the timing and magnitude of forfeiture and performance goal achievement adjustments, as well as changes to the size and composition of the eligible employee population, stock-based compensation expense recognized during any given fiscal period is not indicative of the level of compensation expense expected to be incurred in future periods.

Stock Options

A summary of stock option activity under all plans during the three months ended June 30, 2018 is as follows:

	Number of Options (thousands)
Options outstanding at March 31, 2018	1,151
Granted	—
Exercised	(162)
Cancelled/Forfeited	(82)
Options outstanding at June 30, 2018	907

Restricted Stock Awards and Service-based RSUs

The fair values of restricted stock awards granted to non-employee directors are determined based on the fair value of the Company's Class A common stock on the date of grant. No such awards were granted during the three-month periods ended June 30, 2018 and July 1, 2017. Effective beginning Fiscal 2019, non-employee directors are granted service-based RSUs.

The fair values of service-based RSUs granted to certain of the Company's senior executives and other employees, as well as non-employee directors, are based on the fair value of the Company's Class A common stock on the date of grant, adjusted to reflect the absence of dividends for any awards not entitled to accrue dividend equivalents while outstanding. The weighted-average

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

grant date fair values of service-based RSU awards granted were $107.38 and $72.83 per share during the three-month periods ended June 30, 2018 and July 1, 2017, respectively.

A summary of restricted stock and service-based RSU activity during the three months ended June 30, 2018 is as follows:

	Number of Shares	
	Restricted Stock	Service-based RSUs
	(thousands)	
Nonvested at March 31, 2018	19	1,072
Granted	—	370
Vested	(9)	(387)
Forfeited	—	(62)
Nonvested at June 30, 2018	10	993

Performance-based RSUs

The fair values of the Company's performance-based RSUs granted to its senior executives and other key executives are based on the fair value of the Company's Class A common stock on the date of grant, adjusted to reflect the absence of dividends for any awards not entitled to accrue dividend equivalents while outstanding. The weighted-average grant date fair value of performance-based RSUs granted during the three months ended July 1, 2017 was $69.39 per share. No such awards were granted during the three months ended June 30, 2018.

A summary of performance-based RSU activity during the three months ended June 30, 2018 is as follows:

	Number of Performance-based RSUs (thousands)
Nonvested at March 31, 2018	1,157
Granted	—
Change due to performance condition achievement	(29)
Vested	(232)
Forfeited	(18)
Nonvested at June 30, 2018	878

17. Segment Information

The Company has three reportable segments based on its business activities and organization:

- North America — The North America segment primarily consists of sales of Ralph Lauren branded apparel, accessories, home furnishings, and related products made through the Company's wholesale and retail businesses in the U.S. and Canada, excluding Club Monaco. In North America, the Company's wholesale business is comprised primarily of sales to department stores, and to a lesser extent, specialty stores. The Company's retail business in North America is comprised of its Ralph Lauren stores, its factory stores, and its digital commerce site, www.RalphLauren.com.
- Europe — The Europe segment primarily consists of sales of Ralph Lauren branded apparel, accessories, home furnishings, and related products made through the Company's wholesale and retail businesses in Europe and the Middle East, excluding Club Monaco. In Europe, the Company's wholesale business is comprised of a varying mix of sales to both department stores and specialty stores, depending on the country. The Company's retail business in Europe is comprised of its Ralph Lauren stores, its factory stores, its concession-based shop-within-shops, and its various digital commerce sites.

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Asia — The Asia segment primarily consists of sales of Ralph Lauren branded apparel, accessories, home furnishings, and related products made through the Company's wholesale and retail businesses in Asia, Australia, and New Zealand. The Company's retail business in Asia is comprised of its Ralph Lauren stores, its factory stores, and its concession-based shop-within-shops. In addition, the Company sells its products online through various third-party digital partner commerce sites. In Asia, the Company's wholesale business is comprised primarily of sales to department stores, with related products distributed through shop-within-shops.

No operating segments were aggregated to form the Company's reportable segments. In addition to these reportable segments, the Company also has other non-reportable segments, which primarily consist of (i) sales of Club Monaco branded products made through its retail businesses in the U.S., Canada, and Europe, and its licensing alliances in Europe and Asia, (ii) sales of Ralph Lauren branded products made through its wholesale business in Latin America, and (iii) royalty revenues earned through its global licensing alliances, excluding Club Monaco.

The Company's segment reporting structure is consistent with how it establishes its overall business strategy, allocates resources, and assesses performance of its business. The accounting policies of the Company's segments are consistent with those described in Notes 2 and 3 of the Fiscal 2018 10-K. Sales and transfers between segments are generally recorded at cost and treated as transfers of inventory. All intercompany revenues are eliminated in consolidation and are not reviewed when evaluating segment performance. Each segment's performance is evaluated based upon net revenues and operating income before restructuring-related charges, impairment of assets, and certain other one-time items, if any. Certain corporate overhead expenses related to global functions, most notably the Company's executive office, information technology, finance and accounting, human resources, and legal departments, largely remain at corporate. Additionally, other costs that cannot be allocated to the segments based on specific usage are also maintained at corporate, including corporate advertising and marketing expenses, depreciation and amortization of corporate assets, and other general and administrative expenses resulting from corporate-level activities and projects.

Net revenues and operating income for each of the Company's segments are as follows:

	Three Months Ended	
	June 30, 2018	July 1, 2017
	(millions)	
Net revenues:		
North America	$697.6	$709.7
Europe	350.6	323.5
Asia	248.0	209.1
Other non-reportable segments	94.4	104.8
Total net revenues	$1,390.6	$1,347.1

	Three Months Ended	
	June 30, 2018	July 1, 2017
	(millions)	
Operating income[(a)]:		
North America	$159.9	$150.5
Europe	73.9	67.1
Asia	42.7	30.2
Other non-reportable segments	30.8	33.0
	307.3	280.8
Unallocated corporate expenses	(154.8)	(153.7)

Unallocated restructuring and other charges[b]	(22.4)	(36.8)
Total operating income	$130.1	$90.3

33

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(a) Segment operating income and unallocated corporate expenses during the three-month periods ended June 30, 2018 and July 1, 2017 included certain restructuring-related inventory charges (see Note 8) and asset impairment charges (see Note 7), which are detailed below:

	Three Months Ended	
	June 30, 2018	July 1, 2017
	(millions)	
Restructuring-related inventory charges:		
North America	$—	$(0.7)
Total restructuring-related inventory charges	$—	$(0.7)

	Three Months Ended	
	June 30, 2018	July 1, 2017
	(millions)	
Asset impairment charges:		
North America	$—	$(0.6)
Europe	(0.2)	(1.2)
Asia	(0.2)	(0.1)
Other non-reportable segments	(0.8)	(0.1)
Unallocated corporate expenses	(0.1)	(7.7)
Total asset impairment charges	$(1.3)	$(9.7)

(b) The three-month periods ended June 30, 2018 and July 1, 2017 included certain unallocated restructuring and other charges (see Note 8), which are detailed below:

	Three Months Ended	
	June 30, 2018	July 1, 2017
	(millions)	
Unallocated restructuring and other charges:		
North America-related	$(2.9)	$(12.0)
Europe-related	(5.0)	(0.1)
Asia-related	(0.1)	3.3
Other non-reportable segment-related	(0.8)	(4.8)
Corporate-related	(5.9)	(13.0)
Unallocated restructuring charges	(14.7)	(26.6)
Other charges (see Note 8)	(7.7)	(10.2)
Total unallocated restructuring and other charges	$(22.4)	$(36.8)

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Depreciation and amortization expense for the Company's segments is as follows:

	Three Months Ended	
	June 30, 2018	July 1, 2017
	(millions)	
Depreciation and amortization:		
North America	$19.8	$21.0
Europe	8.3	8.0
Asia	12.6	11.5
Other non-reportable segments	2.0	2.8
Unallocated corporate expenses	24.1	26.1
Unallocated restructuring and other charges (see Note 8)	3.5	3.5
Total depreciation and amortization	$70.3	$72.9

Net revenues by geographic location of the reporting subsidiary are as follows:

	Three Months Ended	
	June 30, 2018	July 1, 2017
	(millions)	
Net revenues[(a)]:		
The Americas[(b)]	$789.4	$811.5
Europe[(c)]	352.8	326.2
Asia[(d)]	248.4	209.4
Total net revenues	$1,390.6	$1,347.1

(a) Net revenues for certain of the Company's licensed operations are included within the geographic location of the reporting subsidiary which holds the respective license.

(b) Includes the U.S., Canada, and Latin America. Net revenues earned in the U.S. during the three-month periods ended June 30, 2018 and July 1, 2017 were $738.9 million and $764.6 million, respectively.

(c) Includes the Middle East.

(d) Includes Australia and New Zealand.

RALPH LAUREN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Additional Financial Information

Reconciliation of Cash, Cash Equivalents, and Restricted Cash

A reconciliation of cash, cash equivalents, and restricted cash as of June 30, 2018 and March 31, 2018 from the consolidated balance sheets to the consolidated statements of cash flows is as follows:

	June 30, 2018	March 31, 2018
	(millions)	
Cash and cash equivalents	$532.3	$ 1,304.6
Restricted cash included within prepaid expenses and other current assets	8.0	15.5
Restricted cash included within other non-current assets	35.5	35.4
Total cash, cash equivalents, and restricted cash	$575.8	$ 1,355.5

Amounts included in restricted cash relate to cash placed in escrow with certain banks as collateral, primarily to secure guarantees in connection with certain international tax matters and real estate leases.

Cash Interest and Taxes

Cash paid for interest and income taxes is as follows:

	Three Months Ended	
	June 30, 2018	July 1, 2017
	(millions)	
Cash paid for interest	$3.0	$ 2.6
Cash paid for income taxes	3.3	20.8

Non-cash Transactions

Non-cash investing activities included capital expenditures incurred but not yet paid of $29.1 million and $30.6 million for the three-month periods ended June 30, 2018 and July 1, 2017, respectively.

There were no other significant non-cash investing or financing activities for any of the fiscal periods presented.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Special Note Regarding Forward-Looking Statements

Various statements in this Form 10-Q, or incorporated by reference into this Form 10-Q, in future filings by us with the Securities and Exchange Commission (the "SEC"), in our press releases, and in oral statements made from time to time by us or on our behalf constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on current expectations and are indicated by words or phrases such as "anticipate," "estimate," "expect," "project," "we believe," "is or remains optimistic," "currently envisions," and similar words or phrases and involve known and unknown risks, uncertainties, and other factors which may cause actual results, performance, or achievements to be materially different from the future results, performance, or achievements expressed in or implied by such forward-looking statements. These risks, uncertainties, and other factors include, among others:

- the loss of key personnel, including Mr. Ralph Lauren, or other changes in our executive and senior management team or to our operating structure, and our ability to effectively transfer knowledge during periods of transition;
- our ability to successfully implement our long-term growth strategy and achieve anticipated operating enhancements and cost reductions from our restructuring plans;
- the impact to our business resulting from investments and other costs incurred in connection with the execution of our long-term growth strategy, including restructuring-related charges, which may be dilutive to our earnings in the short term;
- our ability to continue to expand or grow our business internationally and the impact of related changes in our customer, channel, and geographic sales mix as a result;
- our ability to open new retail stores, concession shops, and digital commerce sites in an effort to expand our direct-to-consumer presence;
- the impact to our business resulting from changes in consumers' ability, willingness, or preferences to purchase premium lifestyle products that we offer for sale and our ability to forecast consumer demand, which could result in either a build-up or shortage of inventory;
- our ability to continue to maintain our brand image and reputation and protect our trademarks;
- our ability to effectively manage inventory levels and the increasing pressure on our margins in a highly promotional retail environment;
- the impact to our business resulting from potential costs and obligations related to the early closure of our stores or termination of our long-term, non-cancellable leases;
- the impact of economic, political, and other conditions on us, our customers, suppliers, vendors, and lenders;
- our ability to secure our facilities and systems and those of our third-party service providers from, among other things, cybersecurity breaches, acts of vandalism, computer viruses, or similar Internet or email events;
- our efforts to successfully enhance, upgrade, and/or transition our global information technology systems and digital commerce platform;
- a variety of legal, regulatory, tax, political, and economic risks, including risks related to the importation and exportation of products, tariffs, and other trade barriers which our operations are currently subject to, or may become subject to as a result of potential changes in legislation, and other risks associated with our international operations, such as compliance with the Foreign Corrupt Practices Act or violations of other anti-bribery and corruption laws prohibiting improper payments, and the burdens of complying with a variety of foreign laws and regulations, including tax laws, trade and labor restrictions, and related laws that may reduce the flexibility of our business;
- changes in our tax obligations and effective tax rate due to a variety of other factors, including potential additional changes in U.S. or foreign tax laws and regulations, accounting rules, or the mix and level of earnings by jurisdiction in future periods that are not currently known or anticipated;

- the impact to our business resulting from the recently enacted U.S. tax legislation commonly referred to as the Tax Cuts and Jobs Act, including related changes to our tax obligations and effective tax rate in future periods, as well as the enactment-related charges that were recorded during Fiscal 2018 on a provisional basis based on a reasonable estimate and are subject to change, all of which could differ materially from our current expectations and/or investors' expectations;
- the impact to our business resulting from the United Kingdom's decision to exit the European Union and the uncertainty surrounding the terms and conditions of such a withdrawal, as well as the related impact to global stock markets and currency exchange rates;
- the impact to our business resulting from increases in the costs of raw materials, transportation, and labor;
- our exposure to currency exchange rate fluctuations from both a transactional and translational perspective;
- the potential impact to our business resulting from the financial difficulties of certain of our large wholesale customers, which may result in consolidations, liquidations, restructurings, and other ownership changes in the retail industry, as well as other changes in the competitive marketplace, including the introduction of new products or pricing changes by our competitors;
- the potential impact on our operations and on our suppliers and customers resulting from natural or man-made disasters;
- the impact to our business of events of unrest and instability that are currently taking place in certain parts of the world, as well as from any terrorist action, retaliation, and the threat of further action or retaliation;
- our ability to maintain our credit profile and ratings within the financial community;
- our ability to access sources of liquidity to provide for our cash needs, including our debt obligations, tax obligations, payment of dividends, capital expenditures, and potential repurchases of our Class A common stock, as well as the ability of our customers, suppliers, vendors, and lenders to access sources of liquidity to provide for their own cash needs;
- the potential impact to the trading prices of our securities if our Class A common stock share repurchase activity and/or cash dividend payments differ from investors' expectations;
- our intention to introduce new products or enter into or renew alliances;
- changes in the business of, and our relationships with, major department store customers and licensing partners; and
- our ability to make certain strategic acquisitions and successfully integrate the acquired businesses into our existing operations.

These forward-looking statements are based largely on our expectations and judgments and are subject to a number of risks and uncertainties, many of which are unforeseeable and beyond our control. A detailed discussion of significant risk factors that have the potential to cause our actual results to differ materially from our expectations is included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2018 (the "Fiscal 2018 10-K"). There are no material changes to such risk factors, nor have we identified any previously undisclosed risks that could materially adversely affect our business, operating results, and/or financial condition, as set forth in Part II, Item 1A — "Risk Factors" of this Form 10-Q. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

In this Form 10-Q, references to "Ralph Lauren," "ourselves," "we," "our," "us," and the "Company" refer to Ralph Lauren Corporation and its subsidiaries, unless the context indicates otherwise. We utilize a 52-53 week fiscal year ending on the Saturday closest to March 31. As such, fiscal year 2019 will end on March 30, 2019 and will be a 52-week period ("Fiscal 2019"). Fiscal year 2018 ended on March 31, 2018 and was also a 52-week period ("Fiscal 2018"). The first quarter of Fiscal 2019 ended on June 30, 2018 and was a 13-week period. The first quarter of Fiscal 2018 ended on July 1, 2017 and was also a 13-week period.

INTRODUCTION

Management's discussion and analysis of financial condition and results of operations ("MD&A") is provided as a supplement to the accompanying consolidated financial statements and notes thereto to help provide an understanding of our results of operations, financial condition, and liquidity. MD&A is organized as follows:

- Overview. This section provides a general description of our business, global economic conditions and industry trends, and a summary of our financial performance for the three-month period ended June 30, 2018. In addition, this section includes a discussion of recent developments and transactions affecting comparability that we believe are important in understanding our results of operations and financial condition, and in anticipating future trends.
- Results of operations. This section provides an analysis of our results of operations for the three-month period ended June 30, 2018 as compared to the three-month period ended July 1, 2017.
- Financial condition and liquidity. This section provides a discussion of our financial condition and liquidity as of June 30, 2018, which includes (i) an analysis of our financial condition as compared to the prior fiscal year-end; (ii) an analysis of changes in our cash flows for the three months ended June 30, 2018 as compared to the three months ended July 1, 2017; (iii) an analysis of our liquidity, including the availability under our commercial paper borrowing program and credit facilities, common stock repurchases, payments of dividends, and our outstanding debt and covenant compliance; and (iv) a description of any material changes in our contractual and other obligations since March 31, 2018.
- Market risk management. This section discusses any significant changes in our risk exposures related to foreign currency exchange rates, interest rates, and our investments since March 31, 2018.
- Critical accounting policies. This section discusses any significant changes in our critical accounting policies since March 31, 2018. Critical accounting policies typically require significant judgment and estimation on the part of management in their application. In addition, all of our significant accounting policies, including our critical accounting policies, are summarized in Note 3 of the Fiscal 2018 10-K.
- Recently issued accounting standards. This section discusses the potential impact on our reported results of operations and financial condition of certain accounting standards that have been recently issued or proposed.

OVERVIEW

Our Business

Our Company is a global leader in the design, marketing, and distribution of premium lifestyle products, including apparel, accessories, home furnishings, and other licensed product categories. Our long-standing reputation and distinctive image have been developed across an expanding number of products, brands, sales channels, and international markets. Our brand names include Ralph Lauren, Ralph Lauren Collection, Ralph Lauren Purple Label, Polo Ralph Lauren, Double RL, Lauren Ralph Lauren, Polo Ralph Lauren Children, Chaps, and Club Monaco, among others.

We diversify our business by geography (North America, Europe, and Asia, among other regions) and channel of distribution (wholesale, retail, and licensing). This allows us to maintain a dynamic balance as our operating results do not depend solely on the performance of any single geographic area or channel of distribution. Our wholesale sales are made principally to major department stores and specialty stores around the world, as well as to certain unrelated third party-owned stores to which we have licensed the right to operate in defined geographic territories using our trademarks. We also sell directly to consumers through our integrated retail channel, which includes our retail stores, concession-based shop-within-shops, and digital commerce operations around the world. In addition, we license to unrelated third parties for specified periods the right to access our various trademarks in connection with the licensees' manufacture and sale of designated products, such as certain apparel, eyewear, fragrances, and home furnishings.

We organize our business into the following three reportable segments:

- North America — Our North America segment, representing approximately 52% of our Fiscal 2018 net revenues, primarily consists of sales of our Ralph Lauren branded products made through our wholesale and retail businesses in the U.S. and Canada, excluding Club Monaco. In North America, our wholesale business is comprised primarily of sales to department stores, and to a lesser extent, specialty stores. Our retail business in North America is comprised of our Ralph Lauren stores, our factory stores, and our digital commerce site, www.RalphLauren.com.
- Europe — Our Europe segment, representing approximately 26% of our Fiscal 2018 net revenues, primarily consists of sales of our Ralph Lauren branded products made through our wholesale and retail businesses in Europe and the Middle East, excluding Club Monaco. In Europe, our wholesale business is comprised of a varying mix of sales to both department stores and specialty stores, depending on the country. Our retail business in Europe is comprised of our Ralph Lauren stores, our factory stores, our concession-based shop-within-shops, and our various digital commerce sites.
- Asia — Our Asia segment, representing approximately 15% of our Fiscal 2018 net revenues, primarily consists of sales of our Ralph Lauren branded products made through our wholesale and retail businesses in Asia, Australia, and New Zealand. Our retail business in Asia is comprised of Ralph Lauren stores, our factory stores, and our concession-based shop-within-shops. In addition, we sell our products through various third-party digital partner commerce sites. In Asia, our wholesale business is comprised primarily of sales to department stores, with related products distributed through shop-within-shops.

In addition to these reportable segments, we also have other non-reportable segments, representing approximately 7% of our Fiscal 2018 net revenues, which primarily consist of (i) sales of Club Monaco branded products made through our retail businesses in the U.S., Canada, and Europe, and our licensing alliances in Europe and Asia, (ii) sales of Ralph Lauren branded products made through our wholesale business in Latin America, and (iii) royalty revenues earned through our global licensing alliances, excluding Club Monaco.

Approximately 45% of our Fiscal 2018 net revenues were earned outside of the U.S. See Note 17 to the accompanying consolidated financial statements for a summary of net revenues and operating income by segment, as well as net revenues by geographic location.

Our business is typically affected by seasonal trends, with higher levels of wholesale sales in our second and fourth fiscal quarters and higher retail sales in our second and third fiscal quarters. These trends result primarily from the timing of seasonal wholesale shipments and key vacation travel, back-to-school, and holiday shopping periods impacting our retail business. In addition, fluctuations in net sales, operating income, and cash flows in any fiscal quarter may be affected by other events impacting retail sales, such as changes in weather patterns. Accordingly, our operating results and cash flows for the three-month period ended June 30, 2018 are not necessarily indicative of the operating results and cash flows that may be expected for the full Fiscal 2019.

Global Economic Conditions and Industry Trends

The global economy and our industry are impacted by many different influences. The current domestic and international political environment has resulted in uncertainty surrounding the future state of the global economy, including growing concerns regarding international trade relations. Most recently, the U.S. and China have imposed significant new tariffs on each other related to the importation of certain product categories, and additional tariffs have been proposed. As our international business continues to grow and because the majority of our products are produced outside of the U.S., major changes in global trade relations could have a material adverse effect on our business or operating results. Certain other worldwide events, including political unrest, acts of terrorism, taxation or monetary policy changes, and fluctuations in commodity prices, also increase volatility in the global economy. For example, the U.S. recently enacted new tax legislation known as the TCJA (as defined in "Recent Developments" below), which is intended to stimulate economic growth and capital investment in the U.S. In addition, our results have been and are expected to continue to be impacted by foreign exchange rate fluctuations.

The retail landscape in which we operate is also evolving, with consumers continuing to diversify the channels in which they transact and shifting their shopping preference from physical stores to online. This along with other factors has resulted in many retailers, including certain of our large wholesale customers, becoming highly promotional and aggressively marking down their merchandise in an attempt to offset declines in physical store traffic. The retail industry, particularly in the U.S., has also experienced numerous bankruptcies, restructurings, and ownership changes

in recent years. Certain of our operations, including our North America wholesale business, have been negatively impacted by these dynamics. The continuation of these industry

40

trends could further impact consumer spending and consumption behavior in our industry, which could have a material adverse effect on our business or operating results. Additionally, changes in economic conditions, including those that may result from the TCJA, may further impact consumer discretionary income levels and spending.
We have implemented various operating strategies globally to help address many of these current challenges, and continue to build a foundation for long-term profitable growth centered around strengthening our consumer-facing areas of product, stores, and marketing across channels and driving a more efficient operating model. In connection with these strategies, we are taking deliberate actions to ensure promotional consistency across channels and enhance the overall brand and shopping experience, including better aligning shipments and inventory levels with underlying demand. Investing in our digital ecosystem remains a primary focus and is a key component of our integrated global omni-channel strategy. Most recently, in June 2018, we shifted our European digital commerce operations to the third-party cloud-based platform used by our North America operations, which is expected to deliver a more brand-enhancing and consistent customer experience across our global digital ecosystem. We also remain committed to optimizing our wholesale distribution channel and enhancing our department store consumer experience. Although the investments that we are making in our business and our quality of sales initiatives may create operating profit pressure in the near-term, we expect that these initiatives will create longer-term shareholder value. Further, in response to the additional trade tariffs announced between the U.S. and China, we are actively reviewing options to mitigate our exposure in the event any such tariffs impact our product categories, including diverting production to and sourcing from other countries.
We will continue to monitor these conditions and trends and evaluate and adjust our operating strategies and foreign currency and cost management opportunities to help mitigate the related impact on our results of operations, while remaining focused on the long-term growth of our business and protecting and elevating the value of our brand.
For a detailed discussion of significant risk factors that have the potential to cause our actual results to differ materially from our expectations, see Part I, Item 1A — "Risk Factors" in our Fiscal 2018 10-K.

Summary of Financial Performance

Operating Results

During the three months ended June 30, 2018, we reported net revenues of $1.391 billion, net income of $109.0 million, and net income per diluted share of $1.31, as compared to net revenues of $1.347 billion, net income of $59.5 million, and net income per diluted share of $0.72 during the three months ended July 1, 2017. The comparability of our operating results has been affected by restructuring-related charges, impairment of assets, and certain other charges, as discussed further below.
Our operating performance for the three months ended June 30, 2018 reflected revenue growth of 3.2% on a reported basis and 1.1% on a constant currency basis, as defined within "Transactions and Trends Affecting Comparability of Results of Operations and Financial Condition" below. The increase in reported net revenues was driven by our international businesses, particularly our Asia business which had revenue growth of 18.6% largely due to new store openings.
Our gross profit as a percentage of net revenues increased by 120 basis points to 64.4% during the three months ended June 30, 2018, primarily driven by improved pricing and lower levels of promotional activity in connection with our long-term growth strategy, as well as favorable product mix.
Selling, general, and administrative ("SG&A") expenses as a percentage of net revenues increased by 30 basis points to 53.3% during the three months ended June 30, 2018, primarily due to our increased marketing investment and the unfavorable impact attributable to geographic and channel mix, partially offset by our operational discipline and cost savings associated with our restructuring activities.
Net income increased by $49.5 million to $109.0 million during the three months ended June 30, 2018, primarily due to a $39.8 million increase in operating income. Net income per diluted share increased by $0.59 to $1.31 per share during the three months ended June 30, 2018, due to the higher level of net income, partially offset by higher weighted-average diluted shares outstanding.
Our operating results during the three-month periods ended June 30, 2018 and July 1, 2017 were negatively impacted by restructuring-related charges, impairment of assets, and certain other charges totaling $23.7 million and $47.2 million, respectively, which had an after-tax effect of reducing net income by $18.9 million, or $0.23 per diluted share, and $31.6 million, or $0.39 per diluted share, respectively.

41

Financial Condition and Liquidity

We ended the first quarter of Fiscal 2019 in a net cash and investments position (cash and cash equivalents plus short-term and non-current investments, less total debt) of $1.503 billion, as compared to $1.494 billion as of the end of Fiscal 2018. The increase in our net cash and investments position at June 30, 2018 as compared to March 31, 2018 was primarily due to our operating cash flows of $230.6 million, partially offset by our use of cash to support Class A common stock repurchases of $130.0 million, including withholdings in satisfaction of tax obligations for stock-based compensation awards, to invest in our business through $42.3 million in capital expenditures, and to make dividend payments of $40.6 million.

We generated $230.6 million of cash from operations during the three months ended June 30, 2018, compared to $334.2 million during the three months ended July 1, 2017. The decline in cash provided by operating activities was due to a net unfavorable change related to our operating assets and liabilities, including our working capital, as compared to the prior fiscal year period, partially offset by an increase in net income before non-cash charges.

Our equity declined to $3.421 billion as of June 30, 2018 compared to $3.457 billion as of March 31, 2018, primarily due to our share repurchase activity and dividends declared, partially offset by our comprehensive income and the net impact of stock-based compensation arrangements during the three months ended June 30, 2018.

Recent Developments

Fiscal 2019 Restructuring Plan

On June 4, 2018, our Board of Directors approved a restructuring plan associated with our strategic objective of operating with discipline to drive sustainable growth (the "Fiscal 2019 Restructuring Plan"). The Fiscal 2019 Restructuring Plan includes the following restructuring-related activities: (i) the rightsizing and consolidation of our global distribution network and corporate offices; (ii) targeted severance-related actions; and (iii) closure of certain of our stores and shop-within-shops. When substantially completed by the end of Fiscal 2019, these actions are expected to result in gross annualized expense savings of approximately $60 million to $80 million.

In connection with the Fiscal 2019 Restructuring Plan, we expect to incur total estimated charges of approximately $100 million to $150 million, comprised of cash-related charges of approximately $70 million to $110 million and non-cash charges of approximately $30 million to $40 million. Cumulative charges incurred since inception were $9.5 million. See Notes 7 and 8 to our accompanying consolidated financial statements for detailed discussions of the charges recorded in connection with the Fiscal 2019 Restructuring Plan.

U.S. Tax Reform

On December 22, 2017, President Trump signed into law new tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "TCJA"), which became effective January 1, 2018. The TCJA significantly revised U.S. tax law by, among other provisions, lowering the U.S. federal statutory income tax rate from 35% to 21%, creating a territorial tax system that includes a one-time mandatory transition tax on previously deferred foreign earnings, and eliminating or reducing certain income tax deductions.

During the second half of Fiscal 2018, we recorded net charges of $221.4 million within our income tax provision in connection with the TCJA, of which $209.3 million related to the mandatory transition tax. These charges were recorded on a provisional basis as permitted by SEC Staff Accounting Bulletin No. 118 ("SAB 118"). The provisional amounts were based on our present interpretations of the TCJA and are subject to further refinement as additional information becomes available and further analyses are completed. No measurement period adjustments were recorded during the three months ended June 30, 2018.

Despite these enactment-related charges, we expect the TCJA will ultimately benefit our results of operations and financial condition, primarily due to the lower U.S. federal statutory income tax rate.

Additionally, we reevaluated our permanent reinvestment assertion and determined that undistributed foreign earnings that were subject to the one-time mandatory transition tax were no longer considered to be permanently reinvested, effective December 31, 2017. In connection with this decision, we repatriated $252 million of cash to the U.S. from certain of our foreign subsidiaries during the fourth quarter of Fiscal 2018, and we repatriated an additional $400 million and $179 million during the first and second quarters of Fiscal 2019, respectively, all of which relate to earnings previously taxed under the TCJA.

See Note 9 to the accompanying consolidated financial statements for additional discussion.

Way Forward Plan

On June 2, 2016, our Board of Directors approved a restructuring plan with the objective of delivering sustainable, profitable sales growth and long-term value creation for shareholders (the "Way Forward Plan"). We are refocusing on our core brands and evolving our product, marketing, and shopping experience to increase desirability and relevance. We are also evolving our operating model to enable sustainable, profitable sales growth by significantly improving quality of sales, reducing supply chain lead times, improving our sourcing, and executing a disciplined multi-channel distribution and expansion strategy. As part of the Way Forward Plan, we are rightsizing our cost structure and implementing a return on investment-driven financial model to free up resources to invest in the brand and drive high-quality sales. The Way Forward Plan includes strengthening our leadership team and creating a more nimble organization by moving from an average of nine to six layers of management. The Way Forward Plan also includes the discontinuance of our Denim & Supply brand and the integration of our denim product offerings into our Polo Ralph Lauren brand. Collectively, these actions, which were substantially completed during our fiscal year ended April 1, 2017 ("Fiscal 2017"), resulted in a reduction in workforce and the closure of certain stores and shop-within-shops, as well as gross annualized expense savings of approximately $200 million.

On March 30, 2017, our Board of Directors approved the following additional restructuring-related activities associated with the Way Forward Plan: (i) the restructuring of our in-house global digital commerce platform which was in development and shifting to a more cost-effective, flexible platform through a new agreement with Salesforce's Commerce Cloud, formerly known as Demandware; (ii) the closure of our Polo store at 711 Fifth Avenue in New York City; and (iii) the further streamlining of the organization and the execution of other key corporate actions in line with the Way Forward Plan. These actions, which are expected to result in additional gross annualized expense savings of approximately $140 million, are an important part of our efforts to achieve our stated objective to return to sustainable, profitable growth and invest in the future. These additional restructuring-related activities were largely completed during Fiscal 2018 and resulted in a further reduction in workforce and the closure of certain corporate office and store locations. The remaining activities, which are primarily lease-related, are expected to be completed during Fiscal 2019.

In connection with the Way Forward Plan, we currently expect to incur total estimated charges of approximately $770 million, comprised of cash-related restructuring charges of approximately $470 million and non-cash charges of approximately $300 million. Cumulative charges incurred since inception were $675.7 million and we expect the remaining charges of approximately $95 million will be recorded during the remainder of Fiscal 2019. In addition to these charges, we also incurred an additional non-cash charge of $155.2 million during Fiscal 2017 associated with the destruction of inventory out of current liquidation channels in line with our Way Forward Plan. See Notes 7 and 8 to our accompanying consolidated financial statements for detailed discussions of the charges recorded in connection with the Way Forward Plan.

Transactions and Trends Affecting Comparability of Results of Operations and Financial Condition

The comparability of our operating results for the three-month periods ended June 30, 2018 and July 1, 2017 has been affected by certain events, including restructuring-related charges, impairment of assets, and certain other charges, as summarized below (references to "Notes" are to the notes to the accompanying consolidated financial statements):

	Three Months Ended	
	June 30, 2018	July 1, 2017
	(millions)	
Impairment of assets (see Note 7)	$(1.3)	$(9.7)
Restructuring and other charges (see Note 8)	(22.4)	(36.8)
Restructuring-related inventory charges (see Note 8)[a]	—	(0.7)
Total charges	$(23.7)	$(47.2)

(a)

Non-cash restructuring-related inventory charges are recorded within cost of goods sold in the consolidated statements of operations.

43

Since we are a global company, the comparability of our operating results reported in U.S. Dollars is also affected by foreign currency exchange rate fluctuations because the underlying currencies in which we transact change in value over time compared to the U.S. Dollar. These rate fluctuations can have a significant effect on our reported results. As such, in addition to financial measures prepared in accordance with accounting principles generally accepted in the U.S. ("U.S. GAAP"), our discussions often contain references to constant currency measures, which are calculated by translating the current-year and prior-year reported amounts into comparable amounts using a single foreign exchange rate for each currency. We present constant currency financial information, which is a non-U.S. GAAP financial measure, as a supplement to our reported operating results. We use constant currency information to provide a framework for assessing how our businesses performed excluding the effects of foreign currency exchange rate fluctuations. We believe this information is useful to investors for facilitating comparisons of operating results and better identifying trends in our businesses. The constant currency performance measures should be viewed in addition to, and not in lieu of or superior to, our operating performance measures calculated in accordance with U.S. GAAP. Reconciliations between this non-U.S. GAAP financial measure and the most directly comparable U.S. GAAP measure are included in the "Results of Operations" section where applicable.

Our discussion also includes reference to comparable store sales. Effective beginning the first quarter of our Fiscal 2019, we changed our definition of comparable store sales to provide a more relevant measure of performance and align with general retail industry practice. Under the new definition, comparable store sales refer to the change in sales of our stores that have been open for at least 13 full fiscal months. Sales from our digital commerce sites are also included within comparable sales for those geographies that have been serviced by the related site for at least 13 full fiscal months. Sales for stores or digital commerce sites that are closed or shut down during the year are excluded from the calculation of comparable store sales. Sales for stores that are either relocated, enlarged (as defined by gross square footage expansion of 25% or greater), or generally closed for 30 or more consecutive days for renovation are also excluded from the calculation of comparable store sales until such stores have been operating in their new location or in their newly renovated state for at least 13 full fiscal months. All comparable store sales metrics are calculated on a constant currency basis. Our previous definition of comparable store sales required a store or digital commerce site to be operational for one full fiscal year to be considered comparable and included in the calculation.

Our "Results of Operations" discussion that follows includes the significant changes in operating results arising from these items affecting comparability. However, unusual items or transactions may occur in any period. Accordingly, investors and other financial statement users should consider the types of events and transactions that have affected operating trends.

RESULTS OF OPERATIONS

Three Months Ended June 30, 2018 Compared to Three Months Ended July 1, 2017

The following table summarizes our results of operations and expresses the percentage relationship to net revenues of certain financial statement captions. All percentages shown in the below table and the discussion that follows have been calculated using unrounded numbers.

	Three Months Ended			
	June 30, 2018	July 1, 2017	$ Change	% / bps Change
	(millions, except per share data)			
Net revenues	$1,390.6	$1,347.1	$43.5	3.2 %
Cost of goods sold	(494.9)	(495.9)	1.0	(0.2 %)
Gross profit	895.7	851.2	44.5	5.2 %
Gross profit as % of net revenues	64.4 %	63.2 %		120 bps
Selling, general, and administrative expenses	(741.9)	(714.4)	(27.5)	3.8 %
SG&A expenses as % of net revenues	53.3 %	53.0 %		30 bps
Impairment of assets	(1.3)	(9.7)	8.4	(86.9 %)
Restructuring and other charges	(22.4)	(36.8)	14.4	(38.8 %)
Operating income	130.1	90.3	39.8	44.0 %
Operating income as % of net revenues	9.4 %	6.7 %		270 bps
Interest expense	(4.4)	(5.0)	0.6	(14.0 %)
Interest income	9.2	2.0	7.2	NM
Other expense, net	(2.0)	(0.5)	(1.5)	NM
Income before income taxes	132.9	86.8	46.1	53.2 %
Income tax provision	(23.9)	(27.3)	3.4	(12.2 %)
Effective tax rate[(a)]	18.0 %	31.4 %		(1,340 bps)
Net income	$109.0	$59.5	$49.5	83.2 %
Net income per common share:				
Basic	$1.33	$0.73	$0.60	82.2 %
Diluted	$1.31	$0.72	$0.59	81.9 %

(a) Effective tax rate is calculated by dividing the income tax provision by income before income taxes.

NM Not meaningful.

Net Revenues. Net revenues increased by $43.5 million, or 3.2%, to $1.391 billion during the three months ended June 30, 2018 as compared to the three months ended July 1, 2017, including net favorable foreign currency effects of $28.6 million. On a constant currency basis, net revenues increased by $14.9 million, or 1.1%.

The following table summarizes the percentage change in our consolidated comparable store sales for the three months ended June 30, 2018 as compared to the prior fiscal year period:

	% Change
Digital commerce comparable store sales	(1 %)
Comparable store sales excluding digital commerce	(3 %)
Total comparable store sales	(3 %)

45

Our global average store count increased by 22 stores and concession shops during the three months ended June 30, 2018 compared with the three months ended July 1, 2017, largely driven by new openings in Asia. The following table details our retail store presence by segment as of the periods presented:

	June 30, 2018	July 1, 2017
Freestanding Stores:		
North America	220	216
Europe	83	82
Asia	107	90
Other non-reportable segments	74	79
Total freestanding stores	484	467
Concession Shops:		
North America	2	1
Europe	25	31
Asia	604	591
Other non-reportable segments	2	2
Total concession shops	633	625
Total stores	1,117	1,092

In addition to our stores, we sell products online in North America and Europe through our various digital commerce sites, which include www.RalphLauren.com and www.ClubMonaco.com, among others. In Asia, we sell products online through various third-party digital partner commerce sites.

Net revenues for our segments, as well as a discussion of the changes in each reportable segment's net revenues from the comparable prior fiscal year period, are provided below:

	Three Months Ended		$ Change	Foreign Exchange Impact	$ Change	% Change	
	June 30, 2018	July 1, 2017	As Reported		Constant Currency	As Reported	Constant Currency
	(millions)						
Net Revenues:							
North America	$697.6	$709.7	$(12.1)	$ 0.8	$(12.9)	(1.7%)	(1.8%)
Europe	350.6	323.5	27.1	22.2	4.9	8.4%	1.5%
Asia	248.0	209.1	38.9	5.4	33.5	18.6%	16.0%
Other non-reportable segments	94.4	104.8	(10.4)	0.2	(10.6)	(10.0%)	(10.1%)
Total net revenues	$1,390.6	$1,347.1	$43.5	$ 28.6	$14.9	3.2%	1.1%

North America net revenues — Net revenues decreased by $12.1 million, or 1.7%, during the three months ended June 30, 2018 as compared to the three months ended July 1, 2017, including net favorable foreign currency effects of $0.8 million. On a constant currency basis, net revenues decreased by $12.9 million, or 1.8%.

The $12.1 million net decline in North America net revenues was driven by:

- an $8.9 million net decrease related to our North America retail business, inclusive of net favorable foreign currency effects of $0.3 million. On a constant currency basis, net revenues decreased by $9.2 million driven by a decline of $11.4 million in comparable store sales, partially offset by an increase of $2.2 million in non-comparable store sales. The decline in comparable store sales was primarily driven by the timing of Easter, which benefited the fourth quarter of Fiscal 2018. Excluding the impact of Easter timing, comparable store sales were approximately flat as compared to the prior fiscal year period. The following table summarizes the percentage change in comparable store sales related to our North America retail business:

46

	% Change
Digital commerce comparable store sales	(2 %)
Comparable store sales excluding digital commerce	(3 %)
Total comparable store sales	(3 %)

- a $3.2 million net decrease related to our North America wholesale business, largely driven by a strategic reduction of shipments and points of distribution in connection with our long-term growth strategy, partially offset by a shift in timing of certain shipments from the fourth quarter of Fiscal 2018 into the first quarter of Fiscal 2019.

Europe net revenues — Net revenues increased by $27.1 million, or 8.4%, during the three months ended June 30, 2018 as compared to the three months ended July 1, 2017, including net favorable foreign currency effects of $22.2 million. On a constant currency basis, net revenues increased by $4.9 million, or 1.5%.

The $27.1 million net increase in Europe net revenues was driven by:

- a $22.4 million net increase related to our Europe wholesale business, primarily driven by a shift in the timing of certain shipments that occurred during the prior fiscal year period and net favorable foreign currency effects of $7.2 million; and
- a $4.7 million net increase related to our Europe retail business, inclusive of net favorable foreign currency effects of $15.0 million. On a constant currency basis, net revenues decreased by $10.3 million driven by a decline of $15.6 million in comparable store sales largely attributable to assortment and inventory challenges, partially offset by an increase of $5.3 million in non-comparable store sales. The following table summarizes the percentage change in comparable store sales related to our Europe retail business:

	% Change
Digital commerce comparable store sales	2 %
Comparable store sales excluding digital commerce	(9 %)
Total comparable store sales	(8 %)

Asia net revenues — Net revenues increased by $38.9 million, or 18.6%, during the three months ended June 30, 2018 as compared to the three months ended July 1, 2017, including net favorable foreign currency effects of $5.4 million. On a constant currency basis, net revenues increased by $33.5 million, or 16.0%.

The $38.9 million net increase in Asia net revenues was driven by:

- a $34.2 million net increase related to our Asia retail business, inclusive of net favorable foreign currency effects of $5.2 million. On a constant currency basis, net revenues increased by $29.0 million, reflecting increases of $17.6 million in non-comparable store sales driven by new store openings and $11.4 million in comparable store sales. The following table summarizes the percentage change in comparable store sales related to our Asia retail business:

	% Change
Digital commerce comparable store sales	46 %
Comparable store sales excluding digital commerce	6 %
Total comparable store sales	6 %

- a $4.7 million net increase related to our Asia wholesale business, primarily driven by our expansion in Japan.

Gross Profit. Gross profit increased by $44.5 million, or 5.2%, to $895.7 million for the three months ended June 30, 2018. The increase in gross profit included a net favorable foreign currency effect of $20.1 million. Gross profit as a percentage of net revenues increased to 64.4% for the three months ended June 30, 2018 from 63.2% for the three months ended July 1, 2017. The 120 basis point increase was primarily driven by improved pricing and lower levels of promotional activity in connection with our long-term growth strategy, as well as favorable product mix.

Gross profit as a percentage of net revenues is dependent upon a variety of factors, including changes in the relative sales mix among distribution channels, changes in the mix of products sold, the timing and level of promotional activities, foreign currency exchange rates, and fluctuations in material costs. These factors, among others, may cause gross profit as a percentage of net revenues to fluctuate from period to period.

Selling, General, and Administrative Expenses. SG&A expenses include compensation and benefits, advertising and marketing, rent and occupancy, distribution, information technology, legal, depreciation and amortization, bad debt, and other selling and administrative costs. SG&A expenses increased by $27.5 million, or 3.8%, to $741.9 million for the three months ended June 30, 2018. This increase included a net unfavorable foreign currency effect of $14.6 million. SG&A expenses as a percentage of net revenues increased to 53.3% for the three months ended June 30, 2018 from 53.0% for the three months ended July 1, 2017. The 30 basis point increase was primarily due to the unfavorable impact attributable to geographic and channel mix, as a greater portion of our revenue was generated by our international retail businesses (which typically carry higher operating expense margins). This increase was partially offset by our operational discipline and cost savings associated with our restructuring activities.

The $27.5 million net increase in SG&A expenses was driven by:

	Three Months Ended June 30, 2018 Compared to Three Months Ended July 1, 2017
	(millions)
SG&A expense category:	
Selling-related expenses	$ 11.3
Marketing and advertising expenses	7.6
Rent and occupancy expenses	6.9
Consulting fees	5.6
Other	(3.9)
Total change in SG&A expenses	$ 27.5

During the remainder of Fiscal 2019, we continue to expect to spend on key strategic initiatives including marketing, digital, expanding and renovating our global retail stores and concession shops, and investing in productivity-enhancing infrastructure. We expect to make these investments while continuing to manage our cost base with discipline.

Impairment of Assets. During the three-month periods ended June 30, 2018 and July 1, 2017, we recorded non-cash impairment charges of $1.3 million and $9.7 million, respectively, to write off certain fixed assets related to our domestic and international stores, shop-within-shops, and corporate offices. See Note 7 to the accompanying consolidated financial statements.

Restructuring and Other Charges. During the three-month periods ended June 30, 2018 and July 1, 2017, we recorded restructuring charges of $14.7 million and $26.6 million, respectively, in connection with our restructuring plans, consisting of severance and benefit costs, lease termination and store closure costs, and other cash charges. Additionally, during the three months ended June 30, 2018, we recorded other charges of $7.7 million primarily related to our former Polo store at 711 Fifth Avenue in New York City and our customs audit. During the three months ended July 1, 2017, we recorded other charges of $10.2 million primarily related to the departure of Mr. Stefan Larsson and our former Polo store at 711 Fifth Avenue. See Note 8 to the accompanying consolidated financial statements.

Operating Income. Operating income increased by $39.8 million, or 44.0%, to $130.1 million for the three months ended June 30, 2018. Our operating results during the three-month periods ended June 30, 2018 and July 1, 2017 were negatively impacted by restructuring-related charges, impairment of assets, and certain other charges totaling $23.7 million and $47.2 million, respectively, as previously discussed. The increase in operating income also included a net favorable foreign currency effect of $5.5 million. Operating income as a percentage of net revenues increased to 9.4% for the three months ended June 30, 2018 from 6.7% for the three months ended July 1, 2017. The 270 basis point increase was primarily driven by the net decline in restructuring-related charges, impairment of assets, and certain other charges and the increase in our gross profit margin, partially offset by the increase in SG&A expenses as a percentage of net revenues, all as previously discussed.

48

Operating income and margin for our segments, as well as a discussion of the changes in each reportable segment's operating margin from the comparable prior fiscal year period, are provided below:

	Three Months Ended					
	June 30, 2018		July 1, 2017			
	Operating Income (millions)	Operating Margin	Operating Income (millions)	Operating Margin	$ Change (millions)	Margin Change
Segment:						
North America	$159.9	22.9%	$150.5	21.2%	$ 9.4	170 bps
Europe	73.9	21.1%	67.1	20.7%	6.8	40 bps
Asia	42.7	17.2%	30.2	14.4%	12.5	280 bps
Other non-reportable segments	30.8	32.7%	33.0	31.5%	(2.2)	120 bps
	307.3		280.8		26.5	
Unallocated corporate expenses	(154.8)		(153.7)		(1.1)	
Unallocated restructuring and other charges	(22.4)		(36.8)		14.4	
Total operating income	$130.1	9.4%	$90.3	6.7%	$ 39.8	270 bps

North America operating margin improved by 170 basis points, primarily due to the favorable impact of 100 basis points related to our wholesale business, largely driven by an increase in our gross profit margin and a decline in SG&A expenses as a percentage of net revenues. The remaining 70 basis point improvement primarily related to our retail business, largely driven by an increase in our gross profit margin, partially offset by an increase in SG&A expenses as percentage of net revenues.

Europe operating margin improved by 40 basis points, primarily due to the favorable impact of 120 basis points related to our wholesale business, largely driven by a decline in SG&A expenses as a percentage of net revenues. The increase also reflected the favorable impact of 40 basis points related to lower non-cash charges recorded in connection with our restructuring plans during the three months ended June 30, 2018 as compared to the prior fiscal year period. These increases in operating margin were partially offset by a 120 basis point decline primarily related to our retail business, largely driven by an increase in SG&A expenses as a percentage of net revenues.

Asia operating margin improved by 280 basis points, primarily due to the favorable impact of 200 basis points related to our retail business and 80 basis points related to our wholesale business, both largely driven by a decline in SG&A expenses as a percentage of net revenues.

Unallocated corporate expenses increased by $1.1 million to $154.8 million during the three months ended June 30, 2018 due to higher consulting fees of $8.1 million, higher marketing and advertising expenses of $3.4 million, and higher other expenses of $0.7 million, partially offset by lower impairment of asset charges of $7.6 million and lower compensation-related expenses of $3.5 million.

Unallocated restructuring and other charges decreased by $14.4 million to $22.4 million during the three months ended June 30, 2018, as previously discussed above and in Note 8 to the accompanying consolidated financial statements.

Non-operating Income (Expense), net. Non-operating income (expense), net is comprised of interest expense, interest income, and other expense, net, which includes foreign currency gains (losses), equity in income (losses) from our equity-method investees, and other non-operating expenses. During the three months ended June 30, 2018, we reported non-operating income, net, of $2.8 million, as compared to non-operating expense, net, of $3.5 million for the three months ended July 1, 2017. The $6.3 million improvement was primarily driven by higher interest income of $7.2 million due to the increased balance of our investment portfolio, as well as a favorable shift to higher interest rate environments attributable to recent cash repatriations from our foreign subsidiaries.

Income Tax Provision. The income tax provision represents federal, foreign, state and local income taxes. The income tax provision decreased to $23.9 million for the three months ended June 30, 2018, from $27.3 million for the three months ended July 1, 2017. The decrease in the provision for income taxes was primarily due to the 1,340 basis point decline in our effective tax rate, partially offset by the increase in pretax income. The decline in our effective tax rate was primarily due to a net favorable change related to tax effects of stock-based compensation award settlements, as well as the lower U.S. federal statutory income tax rate as a result of the TCJA. Our effective tax rate will change

from period to period based on various factors including, but

49

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not limited to, the geographic mix of earnings, the timing and amount of foreign dividends, enacted tax legislation, state and local taxes, tax audit findings and settlements, and the interaction of various global tax strategies.

Net Income. Net income increased to $109.0 million for the three months ended June 30, 2018, from $59.5 million for the three months ended July 1, 2017. The $49.5 million increase in net income was primarily due to the increase in operating income and the decline in our income tax provision, as previously discussed. Our operating results during the three-month periods ended June 30, 2018 and July 1, 2017 were negatively impacted by restructuring-related charges, impairment of assets, and certain other charges totaling $23.7 million and $47.2 million, respectively, which had an after-tax effect of reducing net income by $18.9 million and $31.6 million, respectively.

Net Income per Diluted Share. Net income per diluted share increased to $1.31 for the three months ended June 30, 2018, from $0.72 for the three months ended July 1, 2017. The $0.59 per share increase was due to the higher level of net income, as previously discussed, partially offset by higher weighted-average diluted shares outstanding during the three months ended June 30, 2018. Net income per diluted share for the three-month periods ended June 30, 2018 and July 1, 2017 were negatively impacted by approximately $0.23 per share and $0.39 per share, respectively, as a result of restructuring-related charges, impairment of assets, and certain other charges, as previously discussed.

FINANCIAL CONDITION AND LIQUIDITY

Financial Condition

The following table presents our financial condition as of June 30, 2018 and March 31, 2018:

	June 30, 2018	March 31, 2018	$ Change
	(millions)		
Cash and cash equivalents	$532.3	$1,304.6	$(772.3)
Short-term investments	1,487.7	699.4	788.3
Non-current investments[a]	69.5	86.2	(16.7)
Short-term debt[b]	—	(10.1)	10.1
Current portion of long-term debt[b]	(299.0)	(298.1)	(0.9)
Long-term debt[b]	(288.0)	(288.0)	—
Net cash and investments[c]	$1,502.5	$1,494.0	$8.5
Equity	$3,421.0	$3,457.4	$(36.4)

(a) Recorded within other non-current assets in our consolidated balance sheets.

(b) See Note 10 to the accompanying consolidated financial statements for discussion of the carrying values of our debt.

(c) "Net cash and investments" is defined as cash and cash equivalents, plus short-term and non-current investments, less total debt.

The increase in our net cash and investments position at June 30, 2018 as compared to March 31, 2018 was primarily due to our operating cash flows of $230.6 million, partially offset by our use of cash to support Class A common stock repurchases of $130.0 million, including withholdings in satisfaction of tax obligations for stock-based compensation awards, to invest in our business through $42.3 million in capital expenditures, and to make dividend payments of $40.6 million.

The decline in equity was primarily attributable to our share repurchase activity and dividends declared, partially offset by our comprehensive income and the net impact of stock-based compensation arrangements during the three months ended June 30, 2018.

50

Cash Flows

The following table details our cash flows for the three-month periods ended June 30, 2018 and July 1, 2017:

	Three Months Ended		
	June 30, 2018	July 1, 2017	$ Change
	(millions)		
Net cash provided by operating activities	$230.6	$334.2	$(103.6)
Net cash used in investing activities	(827.1)	(128.5)	(698.6)
Net cash used in financing activities	(164.4)	(61.0)	(103.4)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(18.8)	19.9	(38.7)
Net increase (decrease) in cash, cash equivalents, and restricted cash	$(779.7)	$164.6	$(944.3)

Net Cash Provided by Operating Activities. Net cash provided by operating activities decreased to $230.6 million during the three months ended June 30, 2018, as compared to $334.2 million during the three months ended July 1, 2017. The $103.6 million net decline in cash provided by operating activities was due to a net unfavorable change related to our operating assets and liabilities, including our working capital, as compared to the prior fiscal year period, partially offset by an increase in net income before non-cash charges. The net unfavorable change related to our working capital was primarily driven by:

- a year-over-year increase in our inventory levels to support our revenue growth, as well as the timing of certain inventory receipts;
- an unfavorable change related to accrued expenses and other current liabilities largely driven by fluctuations associated with our derivative instruments; and
- an unfavorable change related to our prepaid expenses and other current assets, largely driven by the timing of cash payments.

Net Cash Used in Investing Activities. Net cash used in investing activities was $827.1 million during the three months ended June 30, 2018, as compared to $128.5 million during the three months ended July 1, 2017. The $698.6 million net increase in cash used in investing activities was primarily driven by a $697.3 million increase in purchases of investments, less proceeds from sales and maturities of investments. During the three months ended June 30, 2018, we made net investment purchases of $780.3 million, as compared to net investment purchases of $83.0 million during the three months ended July 1, 2017.

Capital expenditures were $42.3 million during the three months ended June 30, 2018, approximately flat to the comparable prior year period, and primarily related to new store openings, retail and department store renovations, and enhancements to our information technology systems.

Net Cash Used in Financing Activities. Net cash used in financing activities was $164.4 million during the three months ended June 30, 2018, as compared to $61.0 million during the three months ended July 1, 2017. The $103.4 million net increase in cash used in financing activities was primarily driven by:

- a $115.6 million increase in cash used to repurchase shares of our Class A common stock. During the three months ended June 30, 2018, we used $100.0 million to repurchase shares of Class A common stock pursuant to our common stock repurchase program, and an additional $30.0 million in shares of Class A common stock were surrendered or withheld in satisfaction of withholding taxes in connection with the vesting of awards under our long-term stock incentive plans. On a comparative basis, during the three months ended July 1, 2017, $14.4 million in shares of Class A common stock were surrendered or withheld for taxes; and
- a $9.9 million increase in cash used to repay debt. During the three months ended June 30, 2018, we repaid $9.9 million of borrowings previously outstanding under our credit facilities. On a comparative basis, during the three months ended July 1, 2017, we did not issue or repay any debt.

These increases in cash used in financing activities were partially offset by:

- a $21.7 million increase in proceeds from exercise of stock options.

Sources of Liquidity

Our primary sources of liquidity are the cash flows generated from our operations, our available cash and cash equivalents and short-term investments, availability under our credit facilities, our issuances of commercial paper notes, and other available financing options.

During the three months ended June 30, 2018, we generated $230.6 million of net cash flows from our operations. As of June 30, 2018, we had $2.020 billion in cash, cash equivalents, and short-term investments, of which $812.4 million were held by our subsidiaries domiciled outside the U.S. We are not dependent on foreign cash to fund our domestic operations. Given recent changes to the taxation of undistributed foreign earnings in connection with the TCJA (as discussed within "Recent Developments"), we have reevaluated our permanent reinvestment assertion and determined that undistributed foreign earnings that were subject to the TCJA's one-time mandatory transition tax were no longer considered to be permanently reinvested, effective December 31, 2017. In connection with this decision, we repatriated $252 million of cash to the U.S. from certain of our foreign subsidiaries during the fourth quarter of Fiscal 2018, and we repatriated an additional $400 million and $179 million during the first and second quarters of Fiscal 2019, respectively, all of which relate to earnings previously taxed under the TCJA. The mandatory transition tax does not apply to undistributed foreign earnings generated after December 31, 2017, and therefore we intend to permanently reinvest any such earnings. However, if our plans change and we choose to repatriate post-2017 earnings to the U.S. in the future, we would be subject to applicable U.S. and foreign taxes.

The following table presents our total availability, borrowings outstanding, and remaining availability under our credit facilities and Commercial Paper Program as of June 30, 2018:

Description[a]	June 30, 2018 Total Availability	Borrowings Outstanding	Remaining Availability
	(millions)		
Global Credit Facility and Commercial Paper Program[b]	$500	$ 10 [c]	$ 490
Pan-Asia Credit Facilities	50	—	50

(a) As defined in Note 10 to the accompanying consolidated financial statements.

(b) Borrowings under the Commercial Paper Program are supported by the Global Credit Facility. Accordingly, we do not expect combined borrowings outstanding under the Commercial Paper Program and the Global Credit Facility to exceed $500 million.

(c) Represents outstanding letters of credit for which we were contingently liable under the Global Credit Facility as of June 30, 2018.

We believe that our Global Credit Facility is adequately diversified with no undue concentration in any one financial institution. In particular, as of June 30, 2018, there were nine financial institutions participating in the Global Credit Facility, with no one participant maintaining a maximum commitment percentage in excess of 20%. Borrowings under the Pan-Asia Credit Facilities are guaranteed by the parent company and are granted at the sole discretion of the participating regional branches of JPMorgan Chase (the "Banks"), subject to availability of the Banks' funds and satisfaction of certain regulatory requirements. We have no reason to believe that the participating institutions will be unable to fulfill their obligations to provide financing in accordance with the terms of the Global Credit Facility and the Pan-Asia Credit Facilities in the event of our election to draw funds in the foreseeable future.

Our sources of liquidity are used to fund our ongoing cash requirements, including working capital requirements, global retail store and digital commerce expansion, construction and renovation of shop-within-shops, investment in infrastructure, including technology, acquisitions, joint ventures, payment of dividends, debt repayments, Class A common stock repurchases, settlement of contingent liabilities (including uncertain tax positions), and other corporate activities, including our restructuring actions. We believe that our existing sources of cash, the availability under our credit facilities, and our ability to access capital markets will be sufficient to support our operating, capital, and debt service requirements for the foreseeable future, the ongoing development of our businesses, and our plans for further business expansion.

See Note 10 to the accompanying consolidated financial statements and Note 11 of the Fiscal 2018 10-K for detailed disclosure of the terms and conditions of our credit facilities.

52

Explanation of Responses:

Common Stock Repurchase Program

On June 4, 2018, our Board of Directors approved an expansion of our existing common stock repurchase program that allows us to repurchase up to an additional $1.000 billion of Class A Common stock. As of June 30, 2018, the remaining availability under our Class A common stock repurchase program was approximately $1.000 billion. Repurchases of shares of Class A common stock are subject to overall business and market conditions.

See Note 14 to the accompanying consolidated financial statements for additional information relating to our Class A common stock repurchase program.

Dividends

Since 2003, we have maintained a regular quarterly cash dividend program on our common stock. On June 4, 2018 our Board of Directors approved an increase to the quarterly cash dividend on our common stock from $0.50 to $0.625 per share.

We intend to continue to pay regular quarterly dividends on our outstanding common stock. However, any decision to declare and pay dividends in the future will be made at the discretion of our Board of Directors and will depend on our results of operations, cash requirements, financial condition, and other factors that the Board of Directors may deem relevant.

See Note 14 to the accompanying consolidated financial statements for additional information relating to our quarterly cash dividend program.

Debt and Covenant Compliance

In September 2013, we completed a registered public debt offering and issued $300 million aggregate principal amount of unsecured senior notes due September 26, 2018, which bear interest at a fixed rate of 2.125%, payable semi-annually (the "2.125% Senior Notes"). In August 2015, we completed a second registered public debt offering and issued an additional $300 million aggregate principal amount of unsecured senior notes due August 18, 2020, which bear interest at a fixed rate of 2.625%, payable semi-annually (the "2.625% Senior Notes").

The indenture and supplemental indentures governing the 2.125% Senior Notes and 2.625% Senior Notes (as supplemented, the "Indenture") contain certain covenants that restrict our ability, subject to specified exceptions, to incur certain liens; enter into sale and leaseback transactions; consolidate or merge with another party; or sell, lease, or convey all or substantially all of our property or assets to another party. However, the Indenture does not contain any financial covenants.

The Global Credit Facility contains a number of covenants, as described in Note 10 to the accompanying consolidated financial statements. As of June 30, 2018, no Event of Default (as such term is defined pursuant to the Global Credit Facility) has occurred under our Global Credit Facility. The Pan-Asia Credit Facilities do not contain any financial covenants.

See Note 10 to the accompanying consolidated financial statements and Note 11 of the Fiscal 2018 10-K for additional information relating to our debt and covenant compliance.

Contractual and Other Obligations

During the first quarter of Fiscal 2019, we entered into a lease for a new corporate office in New Jersey. The initial lease term is approximately 16 years, with optional renewal periods. Our total minimum commitment relating to the lease is $116.7 million, with minimum lease payments of $1.9 million due in our fiscal year 2021, $7.8 million due in each of our fiscal years 2022 and 2023, and aggregate minimum lease payments of $99.2 million for our fiscal years 2024 through 2036. We expect to take possession of this property during our fiscal year 2020.

Refer to the "Financial Condition and Liquidity — Contractual and Other Obligations" section of the MD&A in our Fiscal 2018 10-K for detailed disclosure of our other commitments and contractual obligations as of March 31, 2018.

53

MARKET RISK MANAGEMENT

As discussed in Note 13 of the Fiscal 2018 10-K and Note 12 to the accompanying consolidated financial statements, we are exposed to a variety of risks, including changes in foreign currency exchange rates relating to foreign currency-denominated balances, certain anticipated cash flows from our international operations, and possible declines in the value of reported net assets of our foreign operations, as well as changes in the fair value of our fixed-rate debt obligations relating to changes in interest rates. Consequently, at times, in the normal course of business, we employ established policies and procedures, including the use of derivative financial instruments, to manage such risks. We do not enter into derivative transactions for speculative or trading purposes.

As a result of the use of derivative instruments, we are exposed to the risk that counterparties to our contracts will fail to meet their contractual obligations. To mitigate this counterparty credit risk, we have a policy of only entering into contracts with carefully selected financial institutions based upon an evaluation of their credit ratings and certain other factors, adhering to established limits for credit exposure. Our established policies and procedures for mitigating credit risk from derivative transactions include ongoing review and assessment of the creditworthiness of our counterparties. We also enter into master netting arrangements with counterparties, when possible, to mitigate credit risk associated with our derivative instruments. As a result of the above considerations, we do not believe that we are exposed to any undue concentration of counterparty risk with respect to our derivative contracts as of June 30, 2018. However, we do have in aggregate $11.8 million of derivative instruments in net asset positions with five creditworthy financial institutions.

Foreign Currency Risk Management

We manage our exposure to changes in foreign currency exchange rates through the use of forward foreign currency exchange and cross-currency swap contracts. See Note 12 to the accompanying consolidated financial statements for a summary of the notional amounts and fair values of our forward foreign currency exchange and cross-currency swap contracts outstanding as of June 30, 2018.

Forward Foreign Currency Exchange Contracts

We enter into forward foreign currency exchange contracts as hedges to reduce our risk related to exchange rate fluctuations on inventory transactions made in an entity's non-functional currency, intercompany royalty payments made by certain of our international operations, the settlement of foreign currency-denominated balances, and the translation of certain foreign operations' net assets into U.S. Dollars. As part of our overall strategy to manage the level of exposure to the risk of foreign currency exchange rate fluctuations, primarily to changes in the value of the Euro, the Japanese Yen, the South Korean Won, the Australian Dollar, the Canadian Dollar, the British Pound Sterling, the Swiss Franc, the Swedish Krona, the Chinese Renminbi, the New Taiwan Dollar, and the Hong Kong Dollar, we hedge a portion of our foreign currency exposures anticipated over a two-year period. In doing so, we use forward foreign currency exchange contracts that generally have maturities of two months to two years to provide continuing coverage throughout the hedging period of the respective exposure.

Our foreign exchange risk management activities are governed by our Company's established policies and procedures. These policies and procedures provide a framework that allows for the management of currency exposures while ensuring the activities are conducted within our established guidelines. Our policies include guidelines for the organizational structure of our risk management function and for internal controls over foreign exchange risk management activities, including, but not limited to, authorization levels, transaction limits, and credit quality controls, as well as various measurements for monitoring compliance. We monitor foreign exchange risk using different techniques, including a periodic review of market values and sensitivity analyses.

Cross-Currency Swap Contracts

During our fiscal year ended April 2, 2016 ("Fiscal 2016"), we entered into two pay-floating rate, receive-floating rate cross-currency swaps, with notional amounts of €280 million and €274 million, which we designated as hedges of our net investment in certain of our European subsidiaries (the "Cross-Currency Swaps"). The Cross-Currency Swaps, which mature on September 26, 2018 and August 18, 2020, respectively, swap the U.S. Dollar-denominated variable interest rate payments based on the 3-month London Interbank Offered Rate ("LIBOR") plus a fixed spread for Euro-denominated variable interest rate payments based on the 3-month Euro Interbank Offered Rate plus a fixed spread. As a result, the Cross-Currency Swaps, in conjunction with the Interest Rate Swaps (as defined below), economically convert our $300 million fixed-rate 2.125% and $300 million fixed-rate 2.625% obligations to €280

million and €274 million floating-rate Euro-denominated liabilities, respectively.
See Note 3 to the accompanying consolidated financial statements for further discussion of our foreign currency exposures, and the types of derivative instruments used to hedge those exposures.

Interest Rate Risk Management

During Fiscal 2016, we entered into two pay-floating rate, receive-fixed rate interest rate swap contracts which we designated as hedges against changes in the respective fair values of our fixed-rate 2.125% Senior Notes and our fixed-rate 2.625% Senior Notes attributed to changes in the benchmark interest rate (the "Interest Rate Swaps"). The Interest Rate Swaps, which mature on September 26, 2018 and August 18, 2020, respectively, both have notional amounts of $300 million and swap the fixed interest rates on our 2.125% Senior Notes and 2.625% Senior Notes for variable interest rates based on 3-month LIBOR plus a fixed spread.

Investment Risk Management

As of June 30, 2018, we had cash and cash equivalents on-hand of $532.3 million, consisting of deposits in interest bearing accounts, investments in money market deposit accounts, and investments in time deposits and commercial paper with original maturities of 90 days or less. Our other significant investments included $1.488 billion of short-term investments, consisting of investments in time deposits and commercial paper with original maturities greater than 90 days; $43.5 million of restricted cash placed in escrow with certain banks as collateral, primarily to secure guarantees in connection with certain international tax matters and real estate leases; and $69.5 million of investments with maturities greater than one year, consisting of time deposits.

We actively monitor our exposure to changes in the fair value of our global investment portfolio in accordance with our established policies and procedures, which include monitoring both general and issuer-specific economic conditions, as discussed further below. Our investment objectives include capital preservation, maintaining adequate liquidity, diversification to minimize liquidity and credit risk, and achievement of maximum returns within the guidelines set forth in our investment policy. See Note 12 to the accompanying consolidated financial statements for further detail of the composition of our investment portfolio as of June 30, 2018.

We evaluate investments held in unrealized loss positions, if any, for other-than-temporary impairment on a quarterly basis. This evaluation involves a variety of considerations, including assessments of risks and uncertainties associated with general economic conditions and distinct conditions affecting specific issuers. We consider the following factors: (i) the length of time and the extent to which the fair value has been below cost, (ii) the financial condition, credit worthiness, and near-term prospects of the issuer, (iii) the length of time to maturity, (iv) anticipated future economic conditions and market forecasts, (v) our intent and ability to retain our investment for a period of time sufficient to allow for recovery of market value, and (vi) an assessment of whether it is more likely than not that we will be required to sell our investment before recovery of market value. No material realized or unrealized gains or losses on available-for-sale investments or other-than-temporary impairment charges were recorded in any of the fiscal periods presented.

CRITICAL ACCOUNTING POLICIES

Our significant accounting policies are described in Note 3 of the Fiscal 2018 10-K. Our estimates are often based on complex judgments, assessments of probability, and assumptions that management believes to be reasonable, but that are inherently uncertain and unpredictable. It is also possible that other professionals, applying reasonable judgment to the same set of facts and circumstances, could develop and support a range of alternative estimated amounts. For a complete discussion of our critical accounting policies, see the "Critical Accounting Policies" section of the MD&A in our Fiscal 2018 10-K.

There have been no significant changes in the application of our critical accounting policies since March 31, 2018.

RECENTLY ISSUED ACCOUNTING STANDARDS

See Note 4 to the accompanying consolidated financial statements for a description of certain recently issued or proposed accounting standards which have impacted our consolidated financial statements, or may impact our consolidated financial statements in future reporting periods.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

For a discussion of the Company's exposure to market risk, see "Market Risk Management" presented in Part I, Item 2 — MD&A of this Form 10-Q and incorporated herein by reference.

Item 4. Controls and Procedures.

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosures.

We carried out an evaluation based on criteria established in the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) under the supervision and with the participation of management, including our principal executive and principal financial officers, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934. Based on that evaluation, our principal executive and principal financial officers have concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2018.

There has been no change in the Company's internal control over financial reporting during the fiscal quarter ended June 30, 2018 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

Reference is made to the information disclosed under Item 3 — "Legal Proceedings" in the Fiscal 2018 10-K.

Item 1A. Risk Factors.

Reference is made to the information disclosed under Part I, Item 1A — "Risk Factors" in the Fiscal 2018 10-K, which contains a detailed discussion of certain risk factors that could materially adversely affect the Company's business, operating results, and/or financial condition. There are no material changes to the risk factors previously disclosed, nor has the Company identified any previously undisclosed risks that could materially adversely affect the Company's business, operating results, and/or financial condition.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(a) Sales of Unregistered Securities

Shares of the Company's Class B Common Stock may be converted immediately into Class A Common Stock on a one-for-one basis by the holder. There is no cash or other consideration paid by the holder converting the shares and, accordingly, there is no cash or other consideration received by the Company. The shares of Class A Common Stock issued by the Company in such conversions are exempt from registration pursuant to Section 3(a)(9) of the Securities Act of 1933, as amended.

No shares of the Company's Class B common stock were converted into Class A common stock during the three months ended June 30, 2018.

(b) Not Applicable

56

(c) Stock Repurchases

The following table sets forth the repurchases of shares of the Company's Class A common stock during the three months ended June 30, 2018:

	Total Number of Shares Purchased		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet be Purchased Under the Plans or Programs[a] (millions)
April 1, 2018 to April 28, 2018	3,105	[b]	$111.63	—	$ 100
April 29, 2018 to May 26, 2018	135,269	[b]	110.65	—	100
May 27, 2018 to June 30, 2018	823,818	[c]	139.58	714,152	1,000
	962,192			714,152	

(a) On June 4, 2018, the Company's Board of Directors approved an expansion of the program that allows it to repurchase up to an additional $1.000 billion of Class A common stock. Repurchases of shares of Class A common stock are subject to overall business and market conditions.

(b) Represents shares surrendered to or withheld by the Company in satisfaction of withholding taxes in connection with the vesting of awards issued under its long-term stock incentive plans.

(c) Includes 109,666 shares surrendered to or withheld by the Company in satisfaction of withholding taxes in connection with the vesting of awards issued under its long-term stock incentive plans.

Item 6. Exhibits.

3.1	Amended and Restated Certificate of Incorporation of the Company (filed as Exhibit 3.1 to the Company's Registration Statement on Form S-1/A (File No. 333-24733) filed June 10, 1997).
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Company (filed as Exhibit 3.1 to the Form 8-K filed August 16, 2011).
3.3	Fourth Amended and Restated By-Laws of the Company (filed as Exhibit 3.3 to the Form 10-Q filed on August 10, 2017).
10.1*	Form of Non-Employee Director Restricted Stock Unit Award Agreement under the Amended and Restated 2010 Long-Term Stock Incentive Plan†
12.1*	Computation of Ratio of Earnings to Fixed Charges.
31.1*	Certification of Principal Executive Officer pursuant to 17 CFR 240.13a-14(a).
31.2*	Certification of Principal Financial Officer pursuant to 17 CFR 240.13a-14(a).
32.1*	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets at June 30, 2018 and March 31, 2018, (ii) the Consolidated Statements of Operations for the three-month periods ended June 30, 2018 and July 1, 2017, (iii) the Consolidated Statements of Comprehensive Income for the three-month periods ended June 30, 2018 and July 1, 2017, (iv) the Consolidated Statements of Cash Flows for the three-month periods ended June 30, 2018 and July 1, 2017, and (v) the Notes to the Consolidated Financial Statements.

Exhibits 32.1 and 32.2 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that Section. Such exhibits shall not be deemed incorporated by reference into any filing under the Securities Act of 1933 or Securities Exchange Act of 1934.

* Filed herewith.

† Management contract or compensatory plan or arrangement.

57

Explanation of Responses:

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RALPH LAUREN CORPORATION

By: /S/ JANE HAMILTON NIELSEN
Jane Hamilton Nielsen
Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: August 3, 2018

58
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F-69

In February 2014, DARPA reduced the scope of our contract in years three through five of the contract. The reduction in scope focused our research on exosomes, viruses and blood processing instrumentation. This scope reduction will reduce the possible payments under the contract by $858,469 over years three through five. We recently completed a re-budgeting of the expected costs on the remaining years of the DARPA contract based on the reduced milestones and have concluded that the reductions in our costs due to the scaled back level of work will almost entirely offset the anticipated revenue levels based on current assumptions.

During the nine months ended December 31, 2014, we invoiced DARPA for three milestones totaling $444,723. The details of those milestones were as follows:

Milestone 2.4.2.2 – Determine capacity requirements of affinity resin to multiple simultaneous targets. The milestone payment was $197,362. Management considers this milestone to be substantive as it was not dependent on the passage of time nor was it based solely on another party's efforts. We demonstrated that we were able to determine the capacity requirements of affinity resin to multiple simultaneous targets. The report was accepted by the contracting officer's representative and the invoice was submitted thereafter.

Milestone 2.4.2.4 – Finish construction and delivery of 25 experimental cartridges for testing by the system integrator. The milestone payment was $50,000. Management considers this milestone to be substantive as it was not dependent on the passage of time nor was it based solely on another party's efforts. We demonstrated that we delivered the 25 cartridges to the systems integrator as part of our submission for approval. The report was accepted by the contracting officer's representative and the invoice was submitted thereafter.

Milestone M9 – Target capture > 90% in 24 hours for at least 3 targets ex vivo in blood or blood components using the optimized cartridge. The milestone payment was $197,361. Management considers this milestone to be substantive as it was not dependent on the passage of time nor was it based solely on another party's efforts. We demonstrated that we were able to capture approximately 90% in 24 hours for at least 3f targets ex vivo in blood or blood components using the optimized cartridge. The report was accepted by the contracting officer's representative and the invoice was submitted thereafter.

In the nine months ended December 31, 2013, we invoiced DARPA for four milestones totaling $808,739. The details of those milestones were as follows:

Milestone 2.3.2.2 – Formulate initial design work based on work from the previous phase. Begin to build and test selected instrument design and tubing sets. The milestone payment was $195,581. Management considers this milestone to be substantive as it was not dependent on the passage of time nor was it based solely on another party's efforts. We demonstrated that we were able to formulate the initial design work and to build and test selected

instrument design and tubing sets as part of our submission for approval. The report was accepted by the contracting officer's representative and the invoice was submitted thereafter.

Milestone 2.3.2.2 – Write and test software and conduct ergonomic research. Begin discussions with the systems integrator. The milestone payment was $195,581. Management considers this milestone to be substantive as it was not dependent on the passage of time nor was it based solely on another party's efforts. We obtained wrote and tested software and conducted ergonomic research and began discussions with the systems integrator. The report was accepted by the contracting officer's representative and the invoice was submitted thereafter.

Milestone 2.3.3.2 – Cartridge construction with optimized affinity matrix design for each potential target. Complete the capture agent screening. The milestone payment was $208,781. Management considers this milestone to be substantive as it was not dependent on the passage of time nor was it based solely on another party's efforts. We completed the cartridge construction with optimized affinity matrix design for each potential target and completed the capture agent screening. The report was accepted by the contracting officer's representative and the invoice was submitted thereafter.

Milestone M5 – Target capture > 90% in 24 hours for at least three targets in blood or blood components. The milestone payment was $208,781. Management considers this milestone to be substantive as it was not dependent on the passage of time nor was it based solely on another party's efforts. We demonstrated that we were able to capture approximately 90% in 24 hours for at least three of the agreed targets in blood or blood components. The report was accepted by the contracting officer's representative and the invoice was submitted thereafter.

13. COMMITMENTS AND CONTINGENCIES

LEASE COMMITMENTS

We rented approximately 2,300 square feet of executive office space at 8910 University Center Lane, Suite 660, San Diego, CA 92122 at the rate of $6,475 per month on a four year lease that expired in September 2014. We continued leasing that space for the month of October and, effective November 1, 2014, moved into a new facility of approximately 2,576 square feet located at 9635 Granite Ridge Drive, San Diego, CA 92123 under a 39 month lease with an initial rental rate of $6,054 per month. We believe this new leased facility will be satisfactory for our office needs over the term of the lease.

We also rent approximately 1,700 square feet of laboratory space at 11585 Sorrento Valley Road, Suite 109, San Diego, California 92121 at the rate of $3,917 per month on a one year lease that previously was scheduled to expire in October 2014 and was recently extended to in October 2015. We believe this new leased facility will be satisfactory for our laboratory needs over the term of the lease

Our Exosome Sciences, Inc. subsidiary rents approximately 2,055 square feet of office and laboratory space at 11 Deer Park Drive, South Brunswick, NJ at the rate of $3,596 per month on a one year lease that previously was scheduled to expire in October 2014 and was recently extended to in October 2015. We believe this new leased facility will be satisfactory for Exosome Sciences, Inc.'s operational needs over the term of the lease.

Rent expense approximated $127,000 and $99,000 for the nine month periods ended December 31, 2014 and 2013, respectively.

LEGAL MATTERS

From time to time, claims are made against us in the ordinary course of business, which could result in litigation. Claims and associated litigation are subject to inherent uncertainties and unfavorable outcomes could occur, such as monetary damages, fines, penalties or injunctions prohibiting us from selling one or more products or engaging in other activities.

The occurrence of an unfavorable outcome in any specific period could have a material adverse effect on our results of operations for that period or future periods. We are not presently a party to any pending or threatened legal proceedings.

14. SEGMENTS

We operate our businesses principally through two reportable segments: Aethlon, which represents our therapeutic business activities, and Exosome Sciences, Inc., which represents our diagnostic business activities. Our reportable segments have been determined based on the nature of the potential products being developed.

Aethlon’s revenue is generated primarily from government contracts to date and Exosome Sciences, Inc. does not yet have any revenues. We have not included any allocation of corporate overhead to the Exosome Sciences, Inc. segment.

The following tables set forth certain information regarding our segments and other operations that conforms to the consolidated balance sheet and statement of operations presented in this Report:

	Nine Months Ended December 31,	
	2014	2013
Revenues:		
Aethlon	$563,805	$916,796
Exosome Sciences, Inc.	–	–
Total Revenues	$563,805	$916,796
Operating Losses:		
Aethlon	$(2,156,769)	$(2,065,212)
Exosome Sciences, Inc.	(703,411)	(180,722)
Total Operating Loss	$(2,860,180)	$(2,245,934)
Net Losses:		
Aethlon	$(5,347,716)	$(5,735,474)
Exosome Sciences, Inc.	(703,411)	(185,305)
Net Loss Before Non-Controlling Interests	$(6,051,127)	$(5,920,779)
Cash:		
Aethlon	$2,446,820	$588,066
Exosome Sciences, Inc.	328,915	1,266,875
Total Cash	$2,775,735	$1,854,941
Total Assets:		
Aethlon	$2,735,913	$777,004
Exosome Sciences, Inc.	420,582	1,328,004
Total Assets	$3,156,495	$2,105,008
Capital Expenditures:		
Aethlon	$–	$2,750
Exosome Sciences, Inc.	–	58,743
Capital Expenditures	$–	$61,493
Depreciation and Amortization:		
Aethlon	$13,328	$7,195
Exosome Sciences, Inc.	14,686	6,964
Total Depreciation and Amortization	$28,014	$14,159
Interest Expense:		
Aethlon	$285,229	$325,364
Exosome Sciences, Inc.	–	4,583
Total Interest Expense	$285,229	$329,947

F-72

15. SUBSEQUENT EVENTS

Management has evaluated events subsequent to December 31, 2014 through the date that the accompanying condensed consolidated financial statements were filed with the Securities and Exchange Commission for transactions and other events which may require adjustment of and/or disclosure in such financial statements.

Government Contracts

Subsequent to December 31, 2014, we billed $8,207 and we collected $12,290 under the Battelle Memorial Institute subcontract.

Debt Reduction

Subsequent to December 31, 2014, we paid off the remaining principal and interest balances on the two remaining 12% Notes with cash payments totaling $68,063 (see Note 5).

Note Conversions

Subsequent to December 31, 2014, we issued an aggregate of 98,688 shares of Common Stock to two accredited investors upon the conversion of an aggregate of $207,245 of unpaid principal and accrued interest due under convertible promissory notes previously issued to the investors. The conversion price per share was $2.10 (see Note 6).

Warrant Exercises

Subsequent to December 31, 2014, we issued 3,574 shares of common stock to an accredited investor upon the exercise of a previously issued warrant. The warrant was exercised on a cashless or “net” basis. Accordingly, we did not receive any proceeds from such exercise. The cashless exercise of the warrant resulted in the cancellation of the previously issued warrant to purchase an aggregate of 5,176 shares of common stock.

F-73

Aethlon Medical, Inc.

Up to Shares of Common Stock

Warrants to Purchase up to Shares of Common Stock

Prospectus

Roth Capital Partners

, 2015

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth the various expenses to be incurred in connection with the registration of the securities being registered by this registration statement, all of which will be borne by us. All amounts shown are estimates except the Securities and Exchange Commission registration fee.

Securities and Exchange Commission registration fee	$1,668
FINRA filing fee	
NASDAQ listing application fee	5,000
Transfer agent's fees and expenses	
Printing and engraving expenses	
Legal fees and expenses	
Accounting fees and expenses	
Miscellaneous	
Total expenses	$

Item 14. Indemnification of Directors and Officers.

Nevada Law

We are incorporated in Nevada. Subsection 1 of Section 78.7502 of the Nevada Revised Statutes empowers a corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he is not liable pursuant to Section 78.138 of the Nevada Revised Statutes or if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. Subsection 7 of Section 78.138

provides that, with certain exceptions, a director or officer is not individually liable to the corporation or its stockholders or creditors for any damages as a result of any act or failure to act in his capacity as a director or officer unless it is proven that (i) his act or failure to act constituted a breach of his fiduciary duties as a director or officer, and (ii) his breach of those duties involved intentional misconduct, fraud or a knowing violation of the law.

Subsection 2 of Section 78.7502 empowers a corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that such person acted in any of the capacities set forth above against expenses, including amounts paid in settlement and attorneys' fees actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted under similar standards, except that no indemnification may be made in respect of any claim, issue or matter as to which such person shall have been adjudged by a court of competent jurisdiction to be liable to the corporation or for amounts paid in settlement to the corporation, unless and only to the extent that the court in which such action or suit was brought or other court of competent jurisdiction determines that, in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper.

II-1

Section 78.7502 further provides that to the extent a director or officer of a corporation has been successful in the defense of any action, suit or proceeding referred to in subsections (1) and (2) thereof, or in the defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith. Subsection 3 of Section 78.751 of the Nevada Revised Statutes provides that the indemnification provided for by Section 78.7502 shall not be deemed exclusive or exclude any other rights to which the indemnified party may be entitled (except that indemnification will generally not be available to a person if a final adjudication establishes that his acts or omissions involved intentional misconduct, fraud or a knowing violation of the law and were material to the cause of action) and that the indemnification shall continue as to directors, officers, employees or agents who have ceased to hold such positions, and to their heirs, executors and administrators. Section 78.752 empowers the corporation to purchase and maintain insurance on behalf of a director, officer, employee or agent of the corporation against any liability asserted against him or incurred by him in any such capacity or arising out of his status as such whether or not the corporation would have the power to indemnify him against such liabilities under Section 78.7502.

By-Laws

Our by-laws provide for the elimination of the personal liability of our officers, directors, corporate employees and agents to the fullest extent permitted by the provisions of the Nevada Law. Under such provisions, we shall indemnify a director or officer (and may indemnify a corporate employee or agent) who in his capacity as such is made, or threatened to be made, party to any suit or proceeding, if it is determined that such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of our company and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

Liability Insurance

We maintain directors' and officers' liability insurance covering our directors and officers against expenses and liabilities arising from certain actions to which they may become subject by reason of having served in such role, including insurance for claims against these persons brought under securities laws. Such insurance is subject to the coverage amounts, exceptions, deductibles and other conditions set forth in the policy as in effect at the time of a claim, if any. There is no assurance that we will maintain liability insurance for our directors and officers.

Public Policy Limitations

Insofar as indemnification for liabilities arising under the Securities Act of 1933, or Securities Act, may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy

as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by us of expenses incurred or paid by one of our directors, officers or controlling persons in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by us is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

Item 15. Recent Sales of Unregistered Securities.

We have sold or issued the following securities not registered under the Securities Act in reliance upon the exemption from registration pursuant to Section 4(a)(2) of the Securities Act or Regulation D of the Securities Act during the three years preceding the filing of this registration statement. Except as stated below, no underwriting discounts or commissions were payable with respect to any of the following transactions.

Equity Transactions from March 31, 2014 to Present

On May 20, 2014, May 23, 2014, June 6, 2014, June 11, 2014 and June 26, 2014, we sold seven accredited investors 43,849 shares of restricted common stock for an aggregate purchase price of $320,800 and an average price of $7.50 per share. The common stock purchase price was calculated as 80% of the average closing price of our common stock for the five-day period immediately preceding the date of each subscription agreement.

On June 24, 2014, we issued the holder of a convertible note 466,365 shares of restricted common stock and five-year warrants to acquire up to 136,190 shares of common stock at an exercise price of $2.10 per share and up to 7,944 shares of common stock at an exercise price of $5.40 per share. We issued the stock and warrants upon the conversion of a combined principal and interest balance of $1,003,200 due under the note. We also issued the holder 1,500 shares of common stock as a service fee for converting the note in full and for agreeing to waive anti-dilution price protection in certain warrants previously issued by the holder to us.

On July 8, 2014, we issued the holder of a convertible note 51,837 shares of restricted common stock and five-year warrants to acquire up to 46,429 shares of common stock at an exercise price of $2.10 per share and up to 2,708 shares of common stock at an exercise price of $5.40 per share. We issued the stock and warrants upon the conversion of the interest balance of $116,970 due under the note and for the holder’s agreement to extend the expiration date of the note. We also issued the holder 500 shares of common stock as a service fee for extending the note, for converting the interest due under the note and for agreeing to waive anti-dilution price protection in certain warrants previously issued by the holder to us.

On August 6, 2014, we issued 7,806 shares of restricted common stock at an average price of $12.00 per share in payment for investor relations consulting services valued at $75,000 based on the value of the services provided.

On July 15, 2014, we issued 38,750 shares of restricted common stock to the holders of three convertible notes in exchange for the partial or full conversion of principal and interest in the aggregate amount of $81,375 at a conversion price of $2.10 per share.

On July 24, 2014, we issued an aggregate of 50,079 shares of restricted common stock and a seven-year warrant to issue up to 25,040 shares of common stock at an exercise price of $6.60 per share to Dr. Chetan Shah, one of our directors. We issued the common stock and warrant to Dr. Shah upon the conversion of an aggregate of $220,349 of unpaid principal and accrued interest due under a 10% Convertible Note previously issued to Dr. Shah by us on July 9, 2013.

On September 17, 2014, we issued to the holder of the remaining 2008 10% Convertible Note units consisting of an aggregate of 9,564 shares of restricted common stock and unit warrants to acquire up to an aggregate of 4,782 shares of common stock at an exercise price of $4.80 per share. The units were issued to the note holder upon the conversion of an aggregate of $45,906 of unpaid principal and accrued interest due under the promissory note, which represented the entire amount outstanding under the note.

On July 29, 2014, August 4, 2014 and August 6, 2014, we issued to four investors 53,465 shares of restricted common stock through the cash exercise of eight warrants for $259,474 of cash at an average exercise price of approximately $5.00 per share. As an inducement to those investors, we issued them replacement warrants to acquire up to an aggregate of 53,465 shares of common stock on the same terms as the warrants they exercised.

On August 29, 2014, September 2, 2014 and September 22, 2014, we issued and sold to three accredited investors units consisting of (a) 2,000 restricted shares of our common stock at prices per share ranging from $4.55 to $4.70 and (b) a five-year warrant to purchase 1,000 shares of common stock at exercise prices ranging from $6.80 to $7.15 per share. In total, the investors purchased for cash an aggregate of $90,000 of units. The investors acquired an aggregate of 19,500 shares of common stock and warrants to acquire up to an aggregate of 9,750 shares of common stock.

On November 7, 2014, we issued 3,400 shares of restricted common stock at price of $10.25 per share, along with a cash payment of $50,000, in full repayment of the outstanding principal balance and interest balance on the Law Firm Note.

On October 10, 2014, October 14, 2014 and October 15, 2014, we issued and sold to eight accredited investors units consisting of (a) 2,000 restricted shares of common stock at prices per share ranging from $5.25 to $5.70 and (b) a five-year warrant to purchase 1,000 shares of common stock at exercise prices ranging from $7.70 to $8.35 per share. In total, the investors purchased for cash an aggregate of $502,700 of units. The investors acquired an aggregate of 90,125 shares of common stock and warrants to acquire up to an aggregate of 45,063 shares of common stock.

On October 9, 2014, we issued to an accredited investor units consisting of an aggregate of 36,716 shares of restricted common stock and warrants to acquire up to an aggregate of 18,358 shares of common stock at an exercise price of $7.70 per share. We issued the units to the investor upon the conversion of an aggregate of $189,087 of unpaid principal and accrued interest due under two promissory notes (the remaining October and November 2009 10% Convertible Note and the April 2010 10% Convertible Note) previously issued to the investor by us. The amounts converted represented the entire principal and interest outstanding under the notes and the notes held by that holder were retired.

On October 17, 2014 and October 20, 2014, we issued an aggregate of 113,422 shares of restricted common stock and seven-year warrants to issue up to an aggregate of 113,422 shares of common stock at exercise prices ranging from $4.30 to $6.25 per share to eight accredited investors. One of the investors is Dr. Shah. The common stock and warrants were issued to the investors upon the cash exercise of previously issued warrants held by them. The investors paid an aggregate of $579,251 upon exercise of the previously outstanding warrants at exercise prices ranging from $4.30 to $6.25 per share.

On October 15, 2014, we issued an aggregate of 70,460 shares of restricted common stock to two accredited investors upon the conversion of an aggregate of $147,965 of unpaid principal and accrued interest due under promissory notes previously issued to the investors by us. The conversion price per share was $2.10.

On November 6, 2014, we sold two accredited investors (i) convertible promissory notes in the aggregate principal amount of $527,780 and (ii) five year warrants to purchase up to 47,123 shares of common stock at a fixed exercise price of $8.40 per share. The convertible promissory notes bear interest at the annual rate of 10% and mature on April 1, 2016. The aggregate gross cash proceeds to us were $415,000 after subtracting legal fees of $35,000; the balance of the principal amount of the notes represents a $27,780 due diligence fee and an original issuance discount. The convertible promissory notes are convertible at the option of the holders into shares of our common stock at a fixed price of $5.60 per share, for up to an aggregate of 94,246 shares of common stock.

On October 21, 2014, we issued an aggregate of 328,463 shares of restricted common stock to three accredited investors upon the cashless exercise of warrants previously issued to the investors by us with an exercise price of $2.10 per share.

On November 12, 2014, we issued 780 shares of restricted common stock to a consultant in payment for investor relations services valued at $8,000 based on the value of the services provided.

On November 18, 2014, we issued an aggregate of 112,500 shares of restricted common stock to two investors upon the conversion of an aggregate of $236,250 of unpaid principal and accrued interest under a promissory note previously issued by us. The conversion price was $2.10 per share.

On November 19, 2014 we issued 285 shares of restricted common stock to an investor upon the cashless exercise of warrants previously issued by us with an exercise price of $5.50 per share.

On November 25, 2014, we issued an aggregate of 214,286 shares of restricted common stock to two accredited investors upon the conversion of an aggregate of $450,000 of unpaid principal and accrued interest due under promissory notes previously issued by us with a conversion price of $2.10 per share.

On November 26, 2014, we authorized the issuance of an aggregate of 88,165 shares of restricted common stock to 38 accredited investors upon the cashless exercise of warrants previously issued to the investors by us with an exercise price of $11.00 per share.

On November 26, 2014, we authorized the issuance of 9,921 shares of restricted common stock to an accredited investor upon the cashless exercise of warrants previously issued by us with an exercise price of $5.50 per share.

On December 2, 2014, we sold $3,300,000 of units, comprised of common stock and warrants, to three affiliated institutional investors at a price of $15.00 per unit. Each unit consisted of one share of common stock and five-year warrants to purchase 1.2 shares of common stock at an exercise price of $15.00 per share. Accordingly, we issued a total of 220,000 shares of restricted common stock and warrants to purchase 264,000 shares of common stock. For its services as sole placement agent for the financing, we paid Roth Capital Partners, LLC a cash fee of $231,000 and expense reimbursement of $25,000 and we issued it a five-year warrant to purchase 11,000 shares of common stock at an exercise price of $15.00 per share.

On December 5, 2014, we issued an aggregate of 3,500 shares of restricted common stock to two affiliated accredited investors upon the cashless exercise of warrants previously issued by us with an exercise price of $2.10 per share.

On January 2, 2015, we issued 47,619 shares of common stock to an accredited investor upon the conversion of $100,000 of unpaid principal due under a promissory note we previously issued to the investor. The conversion price per share was $2.10.

On January 14, 2015, we authorized the issuance of 3,574 shares of common stock to an accredited investor upon the cashless exercise of warrants previously issued by us with an exercise price of $5.50 per share.

On March 16, 2015, we issued 37,265 shares of common stock to an accredited investor upon the conversion of an aggregate of $78,257 of unpaid principal and accrued interest due under a promissory note we previously issued to the investor. The conversion price per share was $2.10.

On March 30, 2015, we issued 13,803 shares of common stock to an accredited investor upon the conversion of an aggregate of $28,988 of unpaid principal and accrued interest due under a promissory note we previously issued to the investor. The conversion price per share was $2.10.

Equity Transactions in the Fiscal Year Ended March 31, 2014

Common Stock Issuances in the Fiscal Year Ended March 31, 2014

On June 14, 2013, we completed a unit subscription agreement with three accredited investors pursuant to which we issued 31,605 shares of our common stock and 15,802 warrants to purchase our common stock for net cash proceeds of $128,000. Such warrants have an exercise price of $6.05 per share.

On June 20, 2013, we issued to our CEO the remaining 68,000 shares under his restricted share grant, all of which were vested.

On April 3, 2013, April 15, 2013, April 23, 2013, May 3, 2013, May 9, 2013, June 6, 2013 and June 25, 2013, we issued 73,506 shares of restricted common stock to the holders of three notes issued by us in exchange for the partial conversion of principal and interest in an aggregate amount of $246,500 at an average conversion price of $3.50 per share.

On August 5, 2013 and August 6, 2013, we completed a unit subscription agreement with four accredited investors pursuant to which we issued 18,018 shares of restricted common stock and 9,009 warrants to purchase our common stock in exchange for net cash proceeds of $100,000. Such warrants have an exercise price of $8.35 per share.

On September 10, 2013, we issued 23,367 shares of restricted common stock at an average price of $5.00 per share in payment for investor relations and public relations services valued at $115,000 based on the value of the services provided.

On July 16, 2013, July 24, 2013, August 5, 2013 and August 6, 2013, we issued 55,907 shares of restricted common stock to the holders of four notes issued by us in exchange for the partial or full conversion of principal and interest in an aggregate amount of $173,960 at an average conversion price of $3.00 per share.

On October 30, 1013, November 12, 2013, December 10, 2013 and December 30, 2013, we issued to 32 accredited investors 287,344 shares of restricted common stock and warrants to purchase our common stock for gross cash proceeds of $1,795,900. The warrants have an exercise price of $11.00 per share. We paid the broker that was engaged as placement agent in the transaction an aggregate cash fee in the amount of $270,508 and issued the placement agent's designees warrants to purchase an aggregate of 43,102 shares of our common stock. We also paid $78,360 in other costs and fees, including legal fees, blue sky fees and escrow costs. The net proceeds that we received totaled $1,447,032.

On October 24, 2013 and December 23, 2013, we issued 29,304 shares of restricted common stock to the holder of two notes issued by us in exchange for the partial or full conversion of accrued interest in an aggregate amount of $80,000 at an average conversion price of $2.50 per share.

On February 24, 2014 and March 31, 2014, we issued 52,764 shares of restricted common stock to the holders of five notes issued by us in exchange for the partial or full conversion of accrued interest in an aggregate amount of $226,316 at an average conversion price of $4.50 per share.

On February 21, 2014, we issued 7,996 shares of restricted common stock at an average price of $8.00 per share in payment for investor relations and public relations services valued at $62,500 based on the value of the services provided.

On March 31, 2014, we entered into extension agreements with three noteholders. In conjunction with the extension agreements, we agreed to issue to the noteholders an aggregate 90,142 shares of restricted common stock as a result of the noteholders invoking the anti-dilution protection on their notes.

Warrant-Related Issuances in the Fiscal Year Ended March 31, 2014

On August 7, 2013 and September 18, 2013, 18 warrant holders exercised 131,625 warrants to receive 68,149 restricted shares of common stock in cashless exercise transactions.

On October 23, 2013, a warrant holder exercised 56,100 warrants in exchange for 31,555 shares in a cashless exercise transaction.

On October 30, 1013, November 12, 2013, December 10, 2013 and December 30, 2013, we issued an aggregate 186,774 five year warrants to the investors and placement agent as part of our financing in that period (see above). The exercise price for the warrants was $11.00 per share.

On January 29, 2014 and March 14, 2014, we issued 4,163 shares of restricted common stock to three warrant holders in cashless exercise transactions.

On February 24, 2014, we issued 150,457 shares of restricted common stock upon the cashless exercise of three warrants in connection with the Gemini litigation settlement.

Stock Option-Related Issuances in the Fiscal Year Ended March 31, 2014

In May 2013, we issued to a scientific advisory board member and a scientific consultant a three year option to purchase 2,500 shares of our common stock at a price of $5.50 per share.

On July 1, 2013, our compensation committee and Board of Directors approved the issuance of four stock option grants to four of our executives. The options carried an exercise price of $5.00 per share, have a ten-year life and vest over the following schedule: 25% on July 1, 2014, 25% on July 1, 2015, 25% on July 1, 2016 and 25% on July 1, 2017. The numbers of shares underlying each of the stock option grants were as follows: 40,000 shares to our chief executive officer and 10,000 shares each to our president, chief science officer and chief financial officer.

On March 26, 2014, a former director exercised 3,659 in vested stock options through the contribution of $2,000 in cash and $13,000 in accrued expenses owed to him based on the exercise price of $4.10 per share.

Equity Transactions in the Fiscal Year Ended March 31, 2013

Common Stock Issuances in the Fiscal Year Ended March 31, 2013

During the fiscal year ended March 31, 2013, we issued 456,595 shares of restricted common stock to holders of notes issued by the Company in exchange for the partial or full conversion of principal and interest of several notes payable in an aggregate amount of $1,707,052 at an average conversion price of $3.50 per share based upon the conversion formulae in the respective notes.

During the fiscal year ended March 31, 2013, we issued 2,320 shares of restricted common stock to a holder of a note payable to settle past due accrued interest that we recorded as non-cash interest expense of $11,846.

During the fiscal year ended March 31, 2013, we issued 38,656 restricted shares of common stock to service providers for investor relations, corporate communications and business development services valued at $170,849 based upon the fair value of the shares issued. The average issuance price on the restricted share issuances was approximately $4.50 per share.

On April 5, 2012, we completed a unit subscription agreement with one accredited investor pursuant to which the investor purchased $200,000 of units, with each unit consisting of (i) one share of common stock at a price per share of $4.00 and (ii) a warrant to purchase such number of shares of common stock as shall equal (a) fifty percent of the subscription amount *divided by* (b) $4.00 at an exercise price of $6.25 per warrant share. Based on the foregoing, units consisting of 50,000 shares of common stock and warrants to purchase 25,000 shares of common stock were issued on April 5, 2012.

The warrants are exercisable for a period of seven years from the date of issuance at an exercise price of $6.25, subject to adjustments for stock splits, stock dividends, recapitalizations and the like. The investor may exercise the warrant on a cashless basis if the shares of common stock underlying the warrant are not then registered pursuant to an effective registration statement.

On June 19, 2012, we completed a unit subscription agreement with seven accredited investors pursuant to which the investors purchased $592,000 of units, with each unit consisting of (i) one share of common stock at a price per share of $3.60 and (ii) a warrant to purchase such number of shares of common stock as shall equal (a) fifty percent of the subscription amount *divided by* (b) $3.60 at an exercise price of $5.40 per warrant share. Based on the foregoing, units consisting of 164,444 shares of common stock and warrants to purchase 82,222 shares of common stock were issued

on June 19, 2012.

On June 26, 2012, we completed a unit subscription agreement with one accredited investor pursuant to which the investor purchased $10,000 of units, with each unit consisting of (i) one share of common stock at a price per share of $3.60 and (ii) a warrant to purchase such number of shares of common stock as shall equal (a) fifty percent of the subscription amount divided by (b) $3.60 at an exercise price of $5.35 per warrant share. Based on the foregoing, units consisting of 2,796 shares of common stock and warrants to purchase 1,398 shares of common stock were issued on June 26, 2012.

On July 3, 2012, we issued 9,228 shares of common stock to the holder of a $25,000 October and November 2009 10% Convertible Note in exchange for the value of the principal and related accrued interest of $8,000 under the same terms that we used to sell units consisting of one share of common stock and one-half of a stock purchase warrant on June 29, 2012. As part of that structure, the noteholder also received seven year warrants to purchase 4,614 shares of common stock at a price of $5.35 per share.

On August 29, 2012, we completed a unit subscription agreement with seven accredited investors pursuant to which the investors purchased an aggregate of $271,000 of restricted common stock at a price of $4.00 per share. The common stock purchase price under the subscription agreement was determined to be 80% of the average closing price of the our common stock for the five-day period immediately preceding the date of the subscription agreement, resulting in the issuance of 67,750 shares of common stock. Each investor also received one common stock purchase warrant for each two shares of common stock purchased under the subscription agreement. The warrant exercise price was calculated to be $6.00 per share based upon 120% of the average of the closing prices of our common stock for the five-day period immediately preceding the parties entering into the subscription agreement.

II-7

The warrants are exercisable for a period of seven years from the date of issuance at an exercise price of $6.00, subject to adjustments for stock splits, stock dividends, recapitalizations and the like. The investors may exercise the warrants on a cashless basis if the shares of common stock underlying the warrants are not then registered pursuant to an effective registration statement.

In October 2012, we completed a unit subscription agreement with four accredited investors pursuant to which the investors purchased an aggregate of $135,000 of restricted common stock at an average price of $3.50 per share. The common stock purchase price under the subscription agreement was determined to be 80% of the average closing price of our common stock for the five-day period immediately preceding the date of the subscription agreement, resulting in the issuance of 36,468 shares of common stock. Each investor also received one common stock purchase warrant for each two shares of common stock purchased under the subscription agreement. The warrant exercise price was calculated based upon 120% of the average of the closing prices of our common stock for the five-day period immediately preceding the parties entering into the subscription agreement.

In November 2012, we completed a unit subscription agreement with four accredited investors pursuant to which the investors purchased an aggregate of $213,000 of restricted common stock at an average price of $3.00 per share. The common stock purchase price under the subscription agreement was determined to be 80% of the average closing price of our common stock for the five-day period immediately preceding the date of the subscription agreement, resulting in the issuance of 68,710 shares of common stock. Each investor also received one common stock purchase warrant for each two shares of common stock purchased under the subscription agreement. The warrant exercise price was calculated based upon 120% of the average of the closing prices of our common stock for the five-day period immediately preceding the parties entering into the subscription agreement.

In December 2012, we completed a unit subscription agreement with four accredited investors pursuant to which the investors purchased an aggregate of $150,000 of restricted common stock at an average price of $3.00 per share. The common stock purchase price under the subscription agreement was determined to be 80% of the average closing price of our common stock for the five-day period immediately preceding the date of the subscription agreement, resulting in the issuance of 52,394 shares of common stock. Each investor also received one common stock purchase warrant for each two shares of common stock purchased under the subscription agreement. The warrant exercise price was calculated based upon 120% of the average of the closing prices of our common stock for the five-day period immediately preceding the parties entering into the subscription agreement.

On January 4, 2013, we issued 4,929 shares of restricted common stock to the owner of a patent as a patent license payment valued at $17,250.

On February 7, 2013, we issued an aggregate of 70,313 shares of restricted common stock to six accredited investors and one institutional investor for aggregate proceeds of $225,000 or an average price of $3.00 per share. The common stock purchase price was determined to be 80% of the average closing price of our common stock for the five-day

period immediately preceding the purchase date. Each investor also received one common stock purchase warrant for each two shares of common stock purchased. The warrant exercise price was calculated based upon 120% of the average of the closing prices of our common stock for the five-day period immediately preceding the purchase date.

On March 4, 2013, March 14, 2013, March 15, 2013 and March 18, 2013, we issued an aggregate of 81,616 shares of restricted common stock to ten accredited investors and one institutional investor for aggregate proceeds of $313,834 or an average price of $4.00 per share. The common stock purchase price was determined to be 80% of the average closing price of our common stock for the five-day period immediately preceding the date of each purchase. We also issued each investor one common stock purchase warrant for each two shares of common stock purchased. The warrant exercise price was calculated based upon 120% of the average of the closing prices of our common stock for the five-day period immediately preceding the applicable purchase date.

II-8

Warrant Issuances in the Fiscal Year Ended March 31, 2013

In April 2012, we issued warrants to purchase 32,349 shares of common stock to the placement firm that arranged $1 million in bridge financing in the fiscal year ended March 31, 2012. Those warrants were on the same terms as those received by the investors in the bridge financing with a term of five years and an exercise price of $5.50.

On April 5, 2012, under the unit subscription agreement noted above, we issued warrants to purchase 25,000 shares of common stock. The warrants are exercisable for a period of seven years from the date of issuance at an exercise price of $6.25, subject to adjustments for stock splits, stock dividends, recapitalizations and the like. The investor may exercise the warrant on a cashless basis if the shares of common stock underlying the warrant are not then registered pursuant to an effective registration statement.

On June 19, 2012, under the unit subscription agreement noted above, we issued warrants to purchase 82,222 shares of common stock. The warrants are exercisable for a period of seven years from the date of issuance at an exercise price of $5.40, subject to adjustments for stock splits, stock dividends, recapitalizations and the like. The investor may exercise the warrant on a cashless basis if the shares of common stock underlying the warrant are not then registered pursuant to an effective registration statement.

On June 26, 2012, under the unit subscription agreement noted above, we issued warrants to purchase 1,398 shares of common stock. The warrants are exercisable for a period of seven years from the date of issuance at an exercise price of $5.35, subject to adjustments for stock splits, stock dividends, recapitalizations and the like. The investor may exercise the warrant on a cashless basis if the shares of common stock underlying the warrant are not then registered pursuant to an effective registration statement.

In July 2012, we issued 9,228 shares of common stock to the holder of a $25,000 October and November 2009 10% Convertible Note in exchange for the value of the principal and related accrued interest of $8,000 under the same terms that we used to sell units consisting of one share of common stock and one-half of a stock purchase warrant on June 29, 2012. As part of that structure, the noteholder also received seven year warrants to purchase 4,614 shares of common stock at a price of $5.35 per share.

On August 29, 2012, under the unit subscription agreement noted above, we issued warrants to purchase 33,875 shares of common stock. The warrants are exercisable for a period of seven years from the date of issuance at an exercise price of $6.00 per share, subject to adjustments for stock splits, stock dividends, recapitalizations and the like. The investor may exercise the warrant on a cashless basis if the shares of common stock underlying the warrant are not then registered pursuant to an effective registration statement.

In October 2012, under the unit subscription agreement noted above, we issued warrants to purchase 18,234 shares of common stock. The warrants are exercisable for a period of seven years from the date of issuance at an average exercise price of $5.55 per share, subject to adjustments for stock splits, stock dividends, recapitalizations and the like. The investor may exercise the warrant on a cashless basis if the shares of common stock underlying the warrant are not then registered pursuant to an effective registration statement.

In November 2012, under the unit subscription agreement noted above, we issued warrants to purchase 34,355 shares of common stock. The warrants are exercisable for a period of seven years from the date of issuance at an average exercise price of $4.65 per share, subject to adjustments for stock splits, stock dividends, recapitalizations and the like. The investor may exercise the warrant on a cashless basis if the shares of common stock underlying the warrant are not then registered pursuant to an effective registration statement.

In December 2012, under the unit subscription agreement noted above, we issued warrants to purchase 26,197 shares of common stock. The warrants are exercisable for a period of seven years from the date of issuance at an average exercise price of $4.30 per share, subject to adjustments for stock splits, stock dividends, recapitalizations and the like. The investor may exercise the warrant on a cashless basis if the shares of common stock underlying the warrant are not then registered pursuant to an effective registration statement.

On February 7, 2013, we issued warrants to purchase 35,156 shares of common stock. The warrants are exercisable for a period of seven years from the date of issuance at an average exercise price of $4.80 per share, subject to adjustments for stock splits, stock dividends, recapitalizations and the like. The investor may exercise the warrant on a cashless basis if the shares of common stock underlying the warrant are not then registered pursuant to an effective registration statement.

On March 4, 2013, March 14, 2013, March 15, 2013 and March 18, 2013, we issued warrants to purchase 40,808 shares of common stock. The warrants are exercisable for a period of seven years from the date of issuance at an average exercise price of $5.90 per share, subject to adjustments for stock splits, stock dividends, recapitalizations and the like. The investor may exercise the warrant on a cashless basis if the shares of common stock underlying the warrant are not then registered pursuant to an effective registration statement.

Option Issuances in the Fiscal Year Ended March 31, 2013

In the fiscal year ended March 31, 2013, our Board of Directors granted, to our four outside directors, ten-year options to acquire an aggregate of 33,342 shares of our common stock, all with an exercise price of $3.80 per share.

Equity Transactions in the Fiscal Year Ended March 31, 2012

Common Stock Issuances in the Fiscal Year Ended March 31, 2012

During the fiscal year ended March 31, 2012, we issued 577,191 shares of restricted common stock to noteholders in exchange for the conversion of principal and interest of several notes payable and convertible notes payable in an aggregate amount of $2,058,290 at an average conversion price of $3.50 per share based upon the conversion formulae in the respective notes.

In the fiscal year ended March 31, 2012 we issued 69,031 shares of stock to consultants as compensation under stock-based compensation expense for services valued at $341,547 based upon the fair value of the shares issued. Of that aggregate amount, 59,480 shares of common stock were issued pursuant to our S-8 registration statements covering our Amended and Restated 2003 Consultant Stock Plan or 2010 Stock Incentive Plan for regulatory affairs, primarily managing our Hepatitis C trial in India, scientific consulting and corporate communications valued at $279,747 based upon the fair value of the shares issued. The average issuance price on the S-8 issuances was approximately $4.50 per share. Additionally, we issued 9,551 restricted shares of common stock to certain consultants for investor relations services valued at $61,800 based upon the fair value of the shares issued. The average issuance

price on the restricted share issuances was approximately $6.50 per share.

During the fiscal year ended March 31, 2012, we issued to a warrant holder 73,998 shares of restricted common stock related to net warrant cashless exercises.

During the fiscal year ended March 31, 2012, we issued 2,093 shares of restricted common stock as monthly interest payments to the holder on a note payable valued at $5,507 based upon the interest due for those respective months, for an average issuance price of $2.50 per share based on the interest payment formula in the note.

In January 2012, we issued 5,750 shares of restricted common stock to the owner of a patent as a patent license payment valued at $17,250.

On March 29, 2012, we entered into a unit subscription agreement with one accredited investor pursuant to which the investor purchased an aggregate of $300,000 of units, with each unit consisting of (i) one share of common stock at a price per share of $4.00 and (ii) a warrant to purchase such number of shares of common stock of the Company as shall equal (a) fifty percent of the subscription amount *divided by* (b) $4.00 at an exercise price of $6.25 per warrant share. Based on the foregoing, units consisting of 75,000 shares of common stock and warrants to purchase 37,500 shares of common stock were issued.

II-10

Warrant Issuances in the Fiscal Year Ended March 31, 2012

In April 2011, we entered into a Subscription Agreement with two accredited investors providing for the issuance and sale of convertible promissory notes and corresponding warrants in the aggregate principal amount of $385,000. The closing under the subscription agreement resulted in the issuance and sale by us of (i) convertible promissory notes in the aggregate principal amount of $385,000, (ii) five-year warrants to purchase an aggregate of 80,080 shares of our common stock at an exercise price of $6.25 per share, and (iii) five-year warrants to purchase an aggregate of 80,080 shares of our common stock at an exercise price of $8.75 per share.

In addition, we issued (i) five-year warrants to purchase an aggregate of 16,250 shares of our common stock at an exercise price of $6.25 per share, and (iii) five-year warrants to purchase an aggregate of 16,250 shares of our common stock at an exercise price of $8.75 per share to the investors. These warrants were issued as an anti-dilution adjustment under certain common stock purchase warrants held by investors that were acquired from us in September 2010.

In May 2011, we agreed to modify three warrants held by an institutional investor as the result of anti-dilution protection.

In July and August 2011, we raised $357,656 in 10% convertible notes. Those notes had a fixed conversion price of $4.50 per share and carried an interest rate of 10%. The convertible notes mature in July and August 2012. We also issued those investors five year warrants to purchase 79,479 shares of common stock at $6.25 per share.

On September 23, 2011, we entered into a Subscription Agreement with two accredited investors providing for the issuance and sale of convertible promissory notes and corresponding warrants in the aggregate principal amount of $253,760. The warrants carried a five-year term to purchase an aggregate of 72,503 shares of our common stock at an exercise price of $5.00 per share.

In November 2011, we raised $525,000 in 5% Original Issue Discount Unsecured Convertible Debentures from five accredited investors pursuant to which the investors purchased an aggregate principal amount of $525,000 for an aggregate purchase price of $500,000. The debentures bear interest at 20% per annum and mature on April 20, 2012. The debentures will be convertible at the option of the holders at any time into shares of our common stock, at a conversion price equal to $3.895, subject to adjustment. In connection with the debentures, the purchasers received warrants to purchase 67,394 shares of our common stock. The warrants are exercisable for a period of five years from the date of issuance at an exercise price of $5.50, subject to adjustment.

In February 2012, we raised $525,000 in 5% Original Issue Discount Unsecured Convertible Debentures from five accredited investors pursuant to which the investors purchased an aggregate principal amount of $525,000 for an aggregate purchase price of $500,000. The debentures bear interest at 20% per annum and mature on April 20, 2012. These subscriptions represent the completion of the $1,000,000 securities offering that was initiated and priced in November 2011. In connection with the subscription agreement, the investors received warrants to purchase 67,394 shares of our common stock. The warrants are exercisable for a period of five years from the date of issuance at an exercise price of $5.50 per share, subject to adjustment.

On March 29, 2012, we entered into a unit subscription agreement with one accredited investor pursuant to which the investor purchased an aggregate of $300,000 of units, with each unit consisting of (i) one share of common stock at a price per share of $4.00 and (ii) a warrant to purchase such number of shares of common stock of the Company as shall equal (a) fifty percent of the subscription amount *divided by* (b) $4.00 at an exercise price of $6.25 per warrant share. Based on the foregoing, units consisting of 75,000 shares of common stock and warrants to purchase 37,500 shares of common stock were issued. The warrants are exercisable for a period of seven years from the date of issuance at an exercise price of $6.25, subject to adjustments for stock splits, stock dividends, recapitalizations and the like. The investor may exercise the warrant on a cashless basis if the shares of common stock underlying the warrant are not then registered pursuant to an effective registration statement.

On March 31, 2012, we agreed to extend by two years the expiration date of seven warrants for a total of 49,600 shares held by a note holder and to reduce the exercise price on those warrants from $12.50 per share on six of the warrants and $9.50 on the seventh warrant to $6.25 per share in exchange for his extension of $50,000 of the October and November 2009 10% Convertible Notes and the $75,000 April 2010 10% Convertible Note by that same two-year period.

Item 16. Exhibits and Financial Statement Schedules.

Reference is made to the Exhibit Index filed as part of this registration statement. All exhibits have been filed previously unless otherwise noted.

Item 17. Undertakings.

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of this registration statement (or the most recent post-effective amendment hereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20% change in the maximum aggregate offering price set forth in the “Calculation of Registration Fee” table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in this registration statement or any material change to such information in this registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof;

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering; and

(4) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities, in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

(5) That, for purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b) (1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(6) That, for the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such

director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

II-12

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Diego, State of California, on April 17, 2015.

AETHLON MEDICAL, INC.,

a Nevada corporation

/s/ James A. Joyce

By: James A. Joyce

Its: Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints James A. Joyce and James B. Frakes, or either of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to file and sign any and all amendments, including post-effective amendments and any registration statement for the same offering that is to be effective under Rule 462(b) of the Securities Act of 1933, to this registration statement, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated:

Signature	Title	Date

/s/ James A. Joyce James A. Joyce	Chairman, Chief Executive Officer, Principal Executive Officer	April 17, 2015
/s/ James B. Frakes James B. Frakes	Chief Financial Officer, Principal Accounting Officer	April 17, 2015
/s/ Franklyn S. Barry, Jr. Franklyn S. Barry, Jr.	Director	April 17, 2015
s/ Edward G. Broenniman Edward G. Broenniman	Director	April 17, 2015
/s/ Richard H. Tullis Richard H. Tullis	Director	April 17, 2015
/s/ Rodney S. Kenley Rodney S. Kenley	Director	April 17, 2015
/s/ Chetan S. Shah Chetan S. Shah, MD	Director	April 17, 2015

II-13

INDEX TO EXHIBITS

No.	Description
1.1	Form of Placement Agent Agreement **
2.1	Agreement and Plan of Reorganization Between Aethlon Medical, Inc. (formerly, Bishop Equities, Inc.) and Aethlon, Inc. dated March 10, 1999 (1)
2.2	Agreement and Plan of Reorganization Between Aethlon Medical, Inc. (formerly, Bishop Equities, Inc.) and Hemex, Inc. dated March 10, 1999 (1)
3.1	Articles of Incorporation of Aethlon Medical, Inc., as amended *
3.2	Bylaws of Aethlon Medical, Inc., as amended (2)
4.1	Form of Common Stock Certificate (3)
4.2	Form of Amended and Restated Convertible Note dated June 14, 2010 (12)
4.3	Form of Amended and Restated Warrant dated June 14, 2010 (12)
4.4	Form of Amended and Restated Warrant dated June 14, 2010 (QB) (12)
4.5	Form of Common Stock Purchase Warrant dated March 29, 2012 and April 15, 2012 (14)
4.6	Form of Common Stock Purchase Warrant dated June 19, 2012 (15)
4.7	Form of Common Stock Purchase Warrant dated August 29, 2012 (16)
4.8	Form of Common Stock Purchase Warrant dated October, November and December 2012 (17)
4.9	Form of Common Stock Purchase Warrant dated June 14, 2013 (18)
4.10	Form of Convertible Promissory Note dated July 9, 2013 (2)
4.11	Form of Common Stock Purchase Warrant October 30, 2013 (19)
4.12	Form of Exosome Sciences 10% Promissory Note dated October 2013 (19)
4.13	Form of Common Stock Purchase Warrant November 12, 2013 (20)
4.14	Form of Common Stock Purchase Warrant December 10, 2013 (22)
4.15	Form of Common Stock Purchase Warrant December 30, 2013 (24)

4.16 Form of Amendment to Notes and Warrants dated March 31, 2014 (26)

4.17 Form of Common Stock Purchase Warrant dated June 24, 2014 (27)

II-14

4.18 Form of Common Stock Purchase Warrant dated July 8, 2014 (28)

4.19 Form of Common Stock Purchase Warrant dated July 24, 2014 (29)

4.20 Form of Common Stock Purchase Warrant issued August and September 2014 (30)

4.21 Form of Class A Common Stock Purchase Warrant dated November 6, 2014 (30)

4.22 Form of Convertible Promissory Note dated November 6, 2014 (30)

4.23 Form of Common Stock Purchase Warrant issued December 2, 2014 (32)

4.24 Form of Purchase Agent Warrant dated December 2, 2014 (33)

4.25 Form of Warrant **

4.26 Form of Placement Agent Warrant **

5.1 Opinion of Raines Feldman LLP **

10.1 2000 Stock Option Plan *++

10.2 Amended 2010 Stock Incentive Plan (4)

10.3 2005 Directors Compensation Program *++

10.4 2012 Directors Compensation Program, as amended on June 6, 2014 *++

10.5 Employment Agreement between Aethlon Medical, Inc. and James A. Joyce dated April 1, 1999 (5)++

10.6 Patent License Agreement by and amongst Aethlon Medical, Inc., Hemex, Inc., Dr. Julian L. Ambrus and Dr. David O. Scamurra (6)

10.7 Employment Agreement by and between Aethlon Medical, Inc. and Dr. Richard H. Tullis dated January 10, 2000 (6)++

10.8 Stock Option Agreement by and between Aethlon Medical, Inc. and James A Joyce dated February 23, 2005 (7)++

10.9 Stock Option Agreement by and between Aethlon Medical, Inc. and Richard Tullis dated February 23, 2005 (7)++

10.10 Stock Option Agreement by and between Aethlon Medical, Inc. and Franklyn S. Barry, Jr. dated February 23, 2005 (7)++

10.11

	Stock Option Agreement by and between Aethlon Medical, Inc. and Ed Broenniman dated February 23, 2005 (7)++
10.12	Stock Option Agreement by and between Aethlon Medical, Inc. and James A. Joyce dated September 9, 2005 (8)++
10.13	Stock Option Agreement by and between Aethlon Medical, Inc. and James A. Joyce dated June 13, 2007 (9)++
10.14	Stock Option Agreement by and between Aethlon Medical, Inc. and James A. Joyce dated December 15, 2008 (10)++
10.15	Stock Option Agreement by and between Aethlon Medical, Inc. and Franklyn S. Barry dated December 15, 2008 (10)++

10.16 Stock Option Agreement by and between Aethlon Medical, Inc. and Edward G. Broenniman dated December 15, 2008 (10)++

10.17 Stock Option Agreement by and between Aethlon Medical, Inc. and Richard H. Tullis dated December 15, 2008 (10)++

10.18 Standard Industrial Net Lease by and between Sorrento Business Complex and Aethlon Medical, Inc. dated September 28, 2009 (11)

10.19 Form of Amended and Restated Registration Rights Agreement dated February 2, 2009 (12)

10.20 Offer of Employment by and between Aethlon Medical, Inc. and Rodney S. Kenley dated October 27, 2010 (13)++

10.21 Stock Option Agreement of Rodney S. Kenley dated October 27, 2010 (13)++

10.22 Unit Subscription Agreement dated March 29, 2012 and April 5, 2012 (14)

10.23 Unit Subscription Agreement dated June 19, 2012 (15)

10.24 Unit Subscription Agreement dated August 29, 2012 (16)

10.25 Unit Subscription Agreement dated October, November and December 2012 (17)

10.26 Unit Subscription Agreement dated June 14, 2013 (18)

10.27 Form of Unit Purchase Agreement dated October 30, 2013 (19)

10.28 Form of Subscription Agreement October 30, 2013 (19)

10.29 Form of Unit Purchase Agreement dated November 12, 2013 (20)

10.30 Form of Subscription Agreement November 12, 2013 (20)

10.31 Form of Exosome Sciences Stock Purchase Agreement dated November 21, 2013 (21)

10.32 Form of Unit Purchase Agreement dated December 10, 2013 (22)

10.33 Form of Subscription Agreement December 10, 2013 (22)

10.34 Form of Exosome Sciences Stock Purchase Agreement dated December 13, 2013 (23)

10.35 Form of Unit Purchase Agreement dated December 30, 2013 (24)

10.36 Form of Subscription Agreement December 30, 2013 (24)

10.37 Settlement Agreement and General Release with Gemini Master Fund, Ltd. dated February 24, 2014 (25)

10.38 Escrow Agreement dated February 24, 2014 (25)

10.39 Form of Stipulation of Dismissal (25)

II-16

10.40	Form of Restructuring Agreement dated June 24, 2014 (27)
10.41	Form of Restructuring Agreement dated June 24, 2014 (27)
10.42	Form of Restructuring Agreement dated July 8, 2014 (28)
10.43	Second Amendment to Standard Industrial Net Lease by and between Sorrento Business Complex and Aethlon Medical, Inc. dated October 10, 2014 (3)
10.44	Form of Subscription Agreement dated November 6, 2014 (30)
10.45	Office Lease between T-C Stonecrest LLC and Aethlon Medical, Inc. dated November 13, 2014 (31)
10.46	Securities Purchase Agreement dated November 26, 2014 (32)
10.47	Registration Rights Agreement dated November 26, 2014 (32)

10.48	DARPA Contract dated September 30, 2011 (3) (Portions of this exhibit have been omitted pursuant to a request for confidential treatment.)
10.49	DARPA Contract Extension dated August 8, 2012 (3)
10.50	DARPA Contract Extension dated September 15, 2013 (3)
10.51	DARPA Contract Extension dated September 29, 2014 (3)
10.52	DARPA Contract Modification dated March 12, 2015 * (Portions of this exhibit have been omitted pursuant to a request for confidential treatment.)
10.53	DaVita Master Services Agreement dated February 14, 2014 **
10.54	First Amendment dated May 16, 2014 to DaVita Master Services Agreement **
10.55	Work Order #01 dated May 16, 2014 under DaVita Master Services Agreement **
10.56	UCI Clinical Trial Agreement signed April 9, 2015 (34)
10.57	Protocol for UCI Clinical Trial (34)
10.58	Budget for UCI Clinical Trial (34)
10.59	Form of Subscription Agreement **
21.1	List of subsidiaries (3)
23.1	Consent of Independent Registered Public Accounting Firm (Squar, Milner, Peterson, Miranda & Williamson, LLP) *

23.2	Consent of Raines Feldman LLP (included in Exhibit 5.1) **
24.1	Power of Attorney (included on signature page hereto) *
101	Interactive Data Files *
101.INS	XBRL Instance Document *
101.SCH	XBRL Schema Document *
101.CAL	XBRL Calculation Linkbase Document *
101.DEF	XBRL Definition Linkbase Document *
101.LAB	XBRL Label Linkbase Document *
101.PRE	XBRL Presentation Linkbase Document *

II-17

* Filed herewith

** To be filed by amendment

++ Indicates a management contract or compensatory plan or arrangement

(1) Filed with the Company's Current Report on Form 8-K/A dated March 26, 1999 and incorporated by reference.

(2) Filed with the Company's Annual Report on Form 10-K filed on July 15, 2013 for the year ended March 31, 2013 and incorporated by reference.

(3) Filed with the Company’s Registration Statement on Form S-1 (File No. 333-201334) filed on December 31, 2014 and incorporated by reference.

(4) Filed with the Company’s Registration Statement on Form S-8 (File No. 333-182902) filed on July 27, 2012 and incorporated by reference.

(5) Filed with the Company's Annual Report on Form 10-KSB filed on July 15, 1999 for the year ended March 31, 1999 and incorporated by reference.

(6) Filed with the Company's Annual Report on Form 10-KSB/A filed on September 10, 2004 for the year ended March 31, 2004 and incorporated by reference.

(7) Filed with the Company's Annual Report on Form 10-KSB filed on July 14, 2005 for the year ended March 31, 2005 and incorporated by reference.

(8) Filed with the Company's Current Report on Form 8-K filed on September 12, 2005 and incorporated by reference.

(9) Filed with the Company's Registration Statement on Form S-8 (File No. 333-168483) filed on August 2, 2010 and incorporated by reference.

(10) Filed with the Company's Current Report on Form 8-K dated December 19, 2008 and incorporated by reference.

(11) Filed with the Company's Quarterly Report on Form 10-Q filed on November 16, 2009 for the period ended September 30, 2009 and incorporated by reference.

(12) Filed with the Company's Annual Report on Form 10-K filed on July 2, 2010 for the year ended March 31, 2010 and incorporated by reference.

(13) Filed with the Company's Current Report on Form 8-K dated November 1, 2010 and incorporated by reference.

(14) Filed with the Company's Current Report on Form 8-K dated April 6, 2012 and incorporated by reference.

(15) Filed with the Company's Current Report on Form 8-K dated June 27, 2012 and incorporated by reference.

(16) Filed with the Company's Current Report on Form 8-K dated September 6, 2012 and incorporated by reference.

(17) Filed with the Company's Quarterly Report on Form 10-Q filed on February 12, 2013 for the period ended December 31, 2012 and incorporated by reference.

(18) Filed with the Company's Quarterly Report on Form 10-Q filed on August 13, 2013 for the period ended June 30, 2013 and incorporated by reference.

(19) Filed with the Company's Current Report on Form 8-K dated November 6, 2013 and incorporated by reference.

(20) Filed with the Company's Current Report on Form 8-K dated November 20, 2013 and incorporated by reference.

(21) Filed with the Company's Current Report on Form 8-K dated November 21, 2013 and incorporated by reference.

(22) Filed with the Company's Current Report on Form 8-K dated December 16, 2013 and incorporated by reference.

(23) Filed with the Company's Current Report on Form 8-K/A dated December 19, 2013 and incorporated by reference.

(24) Filed with the Company's Current Report on Form 8-K dated January 7, 2014 and incorporated by reference.

(25) Filed with the Company's Current Report on Form 8-K dated February 27, 2014 and incorporated by reference.

(26) Filed with the Company's Current Report on Form 8-K dated April 4, 2014 and incorporated by reference.

(27) Filed with the Company's Current Report on Form 8-K dated June 30, 2014 and incorporated by reference.

(28) Filed with the Company's Current Report on Form 8-K dated July 10, 2014 and incorporated by reference.

(29) Filed with the Company’s Current Report on Form 8-K dated July 28, 2014 and incorporated by reference.

(30) Filed with the Company’s Quarterly Report on Form 10-Q filed on November 10, 2014 for the period ended September 30, 2014 and incorporated by reference.

(31) Filed with the Company’s Current Report on Form 8-K/A dated November 19, 2014 and incorporated by reference.

(32) Filed with the Company’s Current Report on Form 8-K dated November 28, 2014 and incorporated by reference.

(33) Filed with the Company’s Current Report on Form 8-K dated December 3, 2014 and incorporated by reference.

(34) Filed with the Company’s Current Report on Form 8-K dated April 15, 2015 and incorporated by reference.

II-19